



EUROPEAN NEWS

West Germany's inflation rate exceeds forecast

By David Goodhart in Bonn

THE WEST GERMAN statistics office yesterday announced the highest monthly inflation rate since June 1984 as well as the highest ever annual trade and current account surpluses. None of the data was unexpected although the January inflation figure, which took the annual increase to 2.6 per cent, was slightly higher than earlier estimates. It was influenced by the recent increase in consumer taxes. By comparison, inflation in 1988 as a whole was only 1.2 per cent. The December trade figures also outstripped some expectations leaving an annual trade surplus for last year of DM128bn (DM118bn in 1987) and a current account surplus up from DM50bn to DM55bn. With the West German Government expecting no change in the surpluses this year and some independent analysts, such as Phillips and Drew in London, expecting a small rise to DM142bn in the trade surplus and close to DM100bn in the current account, pressure for a European Monetary System realignment may once more increase.

Fiat drives hard for bigger share of Europe's market

By John Wyles in Rome

BEHIND THE casual, almost careless, shrugs, there is more than a touch of irritation at Fiat Auto's Turin headquarters at the recent controversy as to whether the Italian group or West Germany's Volkswagen captured the top slot in the European car market last year. If pressed, Fiat executives will concede generously that VW sat beside them at the summit in 1988; indeed, they will acknowledge gallantly that out of a market of 12.91m cars the sales gap between the two was maybe 12,000, maybe 20,000 vehicles. But if the 12,000 difference was to VW's advantage, Fiat claims it was because VW included Porsche cars assembled by Audi and passenger-carrying vans to reach its total of 1.942m. Take out the vans, and Fiat says it headed VW by 20,000. Nonsense, said a VW spokesman yesterday, Porsche cars are in Porsche's sales figures not VW's, while vans kitted out for up to nine passengers are defined as passenger cars in West Germany. Aside from this little statistical spat, last year was an *annus mirabilis* for Fiat Auto which, when the consolidated figures are published, is likely to have contributed 60 per cent or more of the Turin group's record operating profits of L3,820bn (£1.6bn). While some analysts have been forecasting a fall of up to 10 per cent in the European market this year, Fiat is expecting total demand to flourish around the same level as last year.

Mr Paolo Bernardelli, Fiat Auto's sales director, believes that demand for new cars in Italy and Europe may have settled at a higher plateau because "the car is becoming more and more an individual asset and each family wants more mobility than can be offered by just one vehicle." He also thinks the changing international environment and particularly the strengthening of East-West detente - "the prospect of global peace," he calls it - is influencing consumer attitudes. If he is right, this will be a comfortable market background against which to push ahead with a commercial strategy aimed at building up Fiat Auto's sale outside Italy as quickly as possible. No other European manufacturer dominates its home market as does Fiat with its 69 per cent of total sales, but neither is any as consequently vulnerable to import penetration. The Italian company, like its French counterparts, has not yet had to battle head-to-head with Japanese rivals on its own turf thanks to quota restrictions which last year limited Japanese sales to just 1 per cent of the domestic market. Italian deliveries accounted for 98 per cent of total Fiat, Lancia and Alfa Romeo shipments worldwide last year, while the company's largest share of any other single European country is the 17.9 per cent taken in the rela-

tively small (212,139 units) Portuguese market. Maximum effort is being put behind two objectives: developing and strengthening the dealer network and after-sales service, and overcoming the lingering doubts in some markets about the quality and reliability of Fiat cars. On this last point the company believes itself to be totally competitive but, as Mr Bernardelli points out, a new car is an inherent consumer purchase, and it can take several years to regain a dissatisfied customer. Nevertheless, some progress is being made. In the UK, where Lancia sales were virtually wiped out at the end of the 1970s by recurring problems, deliveries of this marque last year rose from 3,489 in 1987 to 4,072. Sales of the Fiat badge climbed from 68,575 to 75,113. Meanwhile, the company's nurturing of its dealer network is now particularly attentive. Individual dealer sales and profitability are closely monitored and elaborate attention is being given to standards of after-sales service. The West European network will be expanded by another 150 dealers this year, despite the fact that, says Mr Bernardelli, the competition for prime city sites is becoming extremely sharp. Fiat believes that its attention to the quality of dealer services is a winning card in relation not only to the European competition, but also the Japanese.

Ciampi tries to focus politicians' eyes on dark economic skies

ITALIAN MINISTERS and parliamentarians went about their daily tasks yesterday apparently quite untroubled by yet another warning from Mr Carlo Azeglio Ciampi, the Governor of the Bank of Italy, that the nation's economic skies are continuing to darken and that immediate action must be taken to curb domestic demand and reduce government spending, writes John Wyles. While many ordinary Italians were understandably more preoccupied by the air crash in the Azores, the body politic was devoting much of its vocal

energies to such pressing matters as a sudden outbreak of affection between the Communist and Socialist parties and the absorbing, if scarcely comprehensible, barn dance being staged by the Christian Democratic party. When music stops at the party's congress next Saturday, Mr Ciriaco De Mita, the Prime Minister, may find his leader's throne occupied by another. In between fevered consultations with party friends and factional enemies, Mr De Mita is trying to give an impression that government has not completely ground to a halt. His sides

stress that work is pressing ahead on plans to reduce spending on health, pensions, transport and public sector wages. Mr Ciampi has been delivering regular warnings about the dangers of rising government deficits since 1984. Each year his language is a little stronger, his warnings more explicit. But each year the Italian economy has expanded satisfactorily to the extent that last year's growth rate was the highest this decade. Undeterred by the previous ineffectiveness of his strictures, Mr Ciampi

told a parliamentary committee on Tuesday that "a precious opportunity" had been lost last year to mount a credible attack on a budget deficit which is 11.5 per cent of gross domestic product and a total indebtedness which virtually equals GDP. Instead, the 1988 deficit turned out to be L124,000bn (52,220) or 10,000bn higher than targeted, while the budget shortfall would be above L130,000, against a target of L117,350bn. Public spending, said Mr Ciampi, was now running out of control and strong reforms were urgently

needed. Demand in the real economy also needed to be restrained to halt a recent upward rise in inflation which was approaching an annual rate of 6 per cent. In the absence of political decisions, the Bank of Italy would have to choose an alternative to a push interest rates higher in the full knowledge that the L93,000bn (in 1988) cost of debt servicing would climb steadily, that output may be reduced and that the lire's exchange rate - already unwelcomely steep for Italian business - would strengthen.



Police storm pickets at French jail

POLICE in riot gear yesterday fired tear gas and charged hundreds of prison officers picketing the gates of France's largest jail at Fleury-Mérogis to clear the way for prisoners to be taken to court, Reuters reports.

At the same time the warders' protest over penal reform proposals spread to prisons throughout France.

If the police carry on like that the action will only get stronger, said a union official at Fleury-Mérogis, where up to 5,000 remand prisoners are held.

"We used strictly minimum force. The only result was a few bruises on either side," the chief prison administrator Mr Jean-Pierre Dutilleul said.

Jailers' pickets are also blocking the gates of other prisons. "The pickets are not allowed from the gates," said a union official at Fleury-Mérogis, where up to 5,000 remand prisoners are held.

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Better use of EC foreign aid urged

By Robert Maffner, Diplomatic Correspondent

THE SUBSTANTIAL aid given by the European Community to African, Caribbean and Pacific associated countries (ACP) should be used more effectively to help the recipients achieve sustainable economic growth and build up their industries, Mr Christopher Patten, British Minister for Overseas Development, said in London yesterday.

He also emphasised that the ACP countries should take greater advantage of what he described as "the most liberal trading regime on offer to any group of developing countries by any industrialised partner."

The minister was speaking ahead of next week's EC-ACP ministerial meeting in Brazzaville, part of the Lomé agreement renegotiations, which will also discuss the ACP's trade agenda, since it was a "much more important source of foreign exchange for the ACP than aid, with a ratio of 3 to one," he said. The expansion of this trade was essential to sustain the required economic progress in the ACP countries.

In the first place, ACP exports had to become more competitive. "Even with free access in a free world trading system it is no good if you cannot produce goods and services which people want to buy at competitive prices," Mr Patten said.

In this context, he underlined the importance of a vigorous and flexible private sector with adequate incentives and the right economic policy environment. That also meant that the ACP countries should pursue sound policies to control inflation and ensure that their exchange rates and trade regimes encouraged exporters.

An economic climate which demonstrated the potential for sustained growth was the best way of attracting foreign investment.

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ARE YOU DOING ENOUGH RESEARCH BEFORE DEVELOPMENT?

Allowed to go too far, ill-conceived new product ideas have a horrible tendency to take on a ghastly life of their own. They can wreak havoc with costs, leaving a trail of horrified shareholders behind them. Which is why they have to be researched and targeted with laser-like precision. The Patent Office's Search and Advisory Service is a cost-effective way of doing just that. Our computers can call up commercial

and technical information from databases containing details from over 20 million patents published worldwide. An unrivalled source of information, most of which is unavailable elsewhere and free for unrestricted use. Which means that once a new product idea is run past one of our team of over 200 experts, he can immediately start a related search. He can advise you on technical trends in that field. Competitive activity. Problems that may have cropped up with similar products and how they were solved. And, of course, whether or not the idea has been patented anywhere else. What you do with this information is, of course, up to you. But it's bound to help your planning.

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EUROPEAN NEWS

# Solidarity's envoy persuades the Belchatów strikers to go back to work Polish miners signal dislike of market solutions

By Christopher Robinski recently in Belchatów

ECONOMIC reformers in Poland, in the government camp as well as the banned Solidarity union, have received a powerful warning against moving too fast towards full-blown market solutions to the country's problems. It has come from workers at the Belchatów open-cast coal mine who ended a three-day strike there in the early hours of yesterday morning.

In effect, the 12,000-strong workforce, who supply 37m tonnes of brown coal a year to one of Europe's largest conventional power stations nearby, have shown their suspicion of growing wage differentials and resistance to mounting inflation.

The strike blew up in protest against a wage agreement signed by the official local union which gave higher paid groups larger percentage increases, while the lower paid benefited less.

It came as the Government and Solidarity embarked on a series of "round-table" talks aimed at returning the union to legal status and at the same time setting in train reforms to boost efficiency and ease the country's economic plight. But the Belchatów workers clearly wanted more equality. This was partly a reaction to management commonly favouring its own Communist supporters but also reflected deep-set traditional ways of thinking.

It is to Solidarity, not market

SOLIDARITY and the Polish authorities yesterday opened formal talks on returning to legal status the free trade union which was banned in 1981 under martial law, writes Christopher Robinski.

At the meeting, Mr Alexander Kwasniewski, a government minister, reiterated that the principle that more than one union should be permitted to function in a factory had now been conceded by the authorities.

He warned, though, that agreement on Solidarity's return was linked to an accord about forthcoming national elections through which the Government wants the union to enter Parliament in a minority role.

Solidarity for its part responded that it be re-established as a national union at one stroke, foregoing a gradual reconstruction.

Mr Lech Walesa, the Solidarity leader (pictured right), who attended the start of the talks, later left for the south of the country and meetings with workers in Krakow and Bialsko Blata as well as a visit to Poland's national shrine at Czestochowa. Before leaving



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he told official Polish radio that he thought workers at present should refrain from striking and give the round-table talks a chance.

day of the strike.

Nevertheless, the stoppage was an embarrassment to Solidarity's national leadership, and Mr Aloysy Pietrzyk, a 37-year-old miner who emerged as a leader during last August's industrial unrest, was duly sent down by Mr Walesa to bring the strike to an end.

It took him and local activists from nearby Lodz more than 24 hours to persuade the management to agree to renegotiate the pay agreement and the workers to come down from the Zl 30,000 (533) a month interim payment they were demanding to match inflation in the meanwhile. Last year, the average monthly wage at the mine reached Zl 73,000.

All the while, Mr Pietrzyk was having to answer telephone calls from the Solidarity team in Warsaw, worried that the strike had been provoked by party officials keen to torpedo the round-table talks and anxious to have it brought to an end.

Thanks to his rhetorical abilities and the workers' fatigue, he finally managed to get them to agree to an interim payment of Zl 21,000, somewhat less than the management had been ready to offer. He even persuaded them to support a resolution calling on workers elsewhere not to strike for more pay at the moment — a move which will no doubt have been greeted with relief by the Government.

## Koskotas move voted down

By Andriana Ierodiakonou in Athens

GREEK SOCIALIST parliamentary Deputies yesterday voted for the second time this month an opposition proposal to send a parliamentary delegation to the United States to question Mr George Koskotas, the former banker who is in custody there.

Mr Koskotas fled to the US after being charged with fraud last October in a scandal which rocked the Greek Socialist Government.

Meanwhile, a furious debate continued yesterday over allegations of a secret meeting in Rome in 1985 between Mr Andreas Papandreu, the Prime Minister, a friend of his

Mr George Louvaris, who has since been implicated in the Koskotas affair, and an Egyptian businessman who at the time faced charges of fraud and was barred from entering Greece.

The burning question was: did Mr Louvaris confirm that the meeting had taken place in testimony before a parliamentary fact-finding committee on the Koskotas affair last Tuesday?

Mr Louvaris was forbidden to leave Greece and charged last week with receipt of criminal proceeds on the basis of testimony that he had received money from Mr Koskotas

packed in a box of disposable nappies. He has sued the two people who gave the testimony — both former bodyguards of Mr Koskotas.

The alleged Rome meeting was reported at Tuesday's hearing by the independent Deputy, Mr Gerassimos Arsenis, a former member of the Socialist party who was Economy Minister in 1983.

Greek press reports based on leaks claimed Mr Louvaris initially confirmed the meeting but reversed his testimony later in the day. However, the committee chairman, a Socialist Deputy, denied the reports.

## Czechoslovak party accuses 'terrorists' of bomb attack

A BOMB severely damaged the town hall in Usti nad Labem, close to Czechoslovakia's border with East Germany, the Communist party daily newspaper, Rude Pravo, said yesterday.

It did not say if there were casualties from the explosion on Wednesday. It called the bomb attack a "terrorist action" and followed several anonymous threats to blow up public buildings, department stores and schools in northern Bohemia.

"We shall not conceal the fact that there are forces in Czechoslovakia which will never reconcile themselves to our social system," the report said. Usti nad Labem, an industrial town about 100 miles north of Prague, is the capital of the north Bohemia region. In the past few weeks the official media have published reports of anonymous threats to the authorities following five days of demonstrations in central Prague last month which were broken up by police. They commemorated the 20th anniversary of the death of student Jan Palach, who set fire to himself in Prague's Wenceslas Square in protest at the Soviet-led invasion of Czechoslovakia in 1968.

# Swedish Socialists braced for bitter wind of change

Robert Taylor on a party battling with reform

THE ruling Swedish Social Democrats are in the midst of their own gloom about the future of the party's ideology, which is turning into a debate about fundamental principles.

This has urgent relevance for the rest of the European democratic left in what is the hundredth anniversary year of both the Socialist International and the Swedish party.

At the end of April Willi Brandt, Bruno Kreisky, Neil Kinnock, and other leading figures gather in Stockholm for the joint celebrations and they are fervent admirers of the Swedish road to Socialism.

But over recent weeks a serious discussion has started among the Swedish Social Democrats about what the party really stands for. It began on 2 January when the editor in chief of the LO union-owned evening newspaper, Aftonbladet, Mr Rolf Alsing, wrote a lengthy and critical article expressing anxiety about what he sees as the growing influence of economic liberal ideas inside the party, powerfully exemplified by the Minister of Finance Mr Kjell-Olof Feldt and the young free-wheeling Turks in his department.

"I wanted to send out a message to the government to be careful about embarking on rapid changes," says Mr Alsing. "It was also an attempt to calm and reassure rank and file party members."

In fact, Mr Alsing's seminal article has triggered off a stream of pieces about the future of Social Democracy, which mainly reflect an undercurrent of genuine alarm about the direction in which the party leadership appears to be heading.

Yet until last week the irrepresible Mr Feldt seemed to be in an unchallengeable position in his determined drive to turn Sweden into a more market orientated economy despite the doubts of Mr Alsing and his supporters.

However his senior cabinet colleague Mr Sten Andersson, the foreign minister, broke ranks with an article in the party's newspaper Arbetet that was a passionate defence of the

values of the welfare state and attacked those in the party who believe people who can should pay for their own benefits.

A former secretary of the party, a veteran Socialist with an impeccable working class background, Mr Andersson has acquired a growing international reputation since the murder of Olaf Palme nearly three years ago, symbolised in December by his role as the honest broker seeking to reconcile Mr Yasser Arafat's PLO

with sympathetic Israelis. Alongside Mr Feldt he is one of the two strong men in the Swedish Government and the fact that he decided to voice his concern at what is going on at the Ministry of Finance is a clear indication that Mr Feldt has a battle on his hands if he tries to push too far in a liberal market direction, which threatens to undermine basic Social Democratic principles.

"Right-wing ideas have got a foothold inside the party," wrote a worried Mr Andersson. He pointed out that when he travelled abroad he kept being told by those he met that they wanted to learn from the Swedish model but when he came home he was bewildered to find he was being asked by people whether the party was still Socialist or not. In his view Social Democrats have a clear vision of the more just and better society they wish to create.

He reinforced his message by closely identifying it with the party's leader in the nineteen thirties Mr Per Albin Hansson, who spoke of creating a People's Home in Sweden based on solidarity and equality in a democratic society.

This reaffirmation of traditional Social Democracy with its belief in the welfare state for all, strong unions and

social equality, from such a senior figure inside the government suggests there is a clear limit on how far Mr Feldt can go in turning Sweden into a more efficient, individualistic market economy without running into real trouble within his own party.

However, Mr Andersson is not a narrow-minded dogmatist. Indeed, like most Social Democrats he believes the pragmatism of the party explains why it has had such astonishing success in running the country for most of the past fifty years.

He remains convinced, however, that the party cannot make an ideology out of merely running capitalism more efficiently.

His article has brought the inner party debate about the future economic management of Sweden out into the open. The bitter attack on the big companies and the banks in last week's general debate in Parliament by Mr Feldt suggests that he is anxious now to reconcile doubters in his own party, who fear radical change.

Moreover, last weekend it was revealed that a controversial discussion paper from the Ministry of Finance on the future of the public services had been withdrawn for reappraisal after pressure from within the party.

Mr Feldt has promised to submit his plans to make Sweden's huge public sector more efficient in his supplementary budget in the late spring.

Another indication of how the debate inside the Social Democrats is developing will appear in the early summer with the publication of the party's own analysis of its ideological future is to be published in the preparation for its conference next year, which will set the agenda for the nineteen nineties. This should give a clear sign of how the Feldt and Andersson strands inside the party are to be balanced.

The current discussion is bound to become much less abstract as Social Democrats seek to marry principle with practice, an exercise they have performed successfully so often in the past.

OVERSEAS NEWS

Koor deal on debt repayment lifts liquidation threat

By Andrew Whitley in Jerusalem

THE THREAT of compulsory liquidation hanging over Israel's Koor Industries, the largest industrial conglomerate in the Middle East, was lifted yesterday following agreement in London on a debt repayment schedule for the company's bank creditors.

Delhi in call for Westland inspection

By David Housego in New Delhi

THE Indian Government yesterday called for an inspection of the tail rotor drive systems of British-made Westland helicopters after preliminary inquiries suggested a crash which killed three people on Tuesday was caused by a broken rotor shaft.

Iraq ready to resume talks on Gulf War

IRAQI Foreign Minister Tariq Aziz said yesterday he was ready to resume face-to-face negotiations with his Iranian counterpart, Reuters reports from the United Nations.

Sharon urges EC to oppose Arab boycott

ISRAELI IS pressing the European Community to introduce legislation which would prevent European companies from yielding to Arab boycott measures, Mr Ariel Sharon, Israel's Trade and Industry Minister, said in London yesterday.

Bond tested as businessman with the golden touch

Chris Sherwell on the legal and political battles being waged by Australia's controversial entrepreneur

FOR a man reputedly under intense pressure, the entrepreneur Mr Alan Bond was this week displaying his best Australian "No worries" air, sitting in Colorado rather than standing by in Perth or Sydney, where the action was.



Alan Bond: sitting out of trouble

In Sydney, the Australian Broadcasting Tribunal was hearing late submissions from Mr Bond's lawyer in its inquiry into his fitness to hold radio and television licences. The tribunal is investigating three controversial incidents reflecting on Mr Bond's integrity and is due to pronounce on whether he has a case to answer shortly.

30 Indonesian Moslems killed by troops

AT LEAST 30 people have been killed after Indonesian troops and Moslem radicals in the province of South Sumatra earlier this week in the country's worst religious violence in over four years, writes John Murray Brown in Jakarta.

Chinese attacks on Mao grow

CHINA has edged nearer a more thorough condemnation of Mao Zedong the founding father of the communist state with the publication of an article in the Guangming Daily which declares that he "committed very big mistakes indeed in his later years".

The catalogue of Bond Corporation's difficulties is formidable, quite apart from what may yet emerge in Western Australia in relation to Rothwells.

That, however, was not the impression conveyed by the four-week campaign. The opposition made "WA Inc" the main election issue, relentlessly attacking Labor's involvement in business and with certain business friends over a period of six years.

Today's shura seen as last chance for Kabul

WITH just five days to go before the last Soviet soldier leaves after over nine years of occupation more than 500 Afghans sit down today to try to agree on the country's future government.

Lawyers support S African prison fast

A GROUP of civil rights lawyers yesterday began a two-day symbolic fast to draw attention to the plight of over 200 prisoners on hunger strikes in South African jails in protest against detention without trial under the emergency laws.

It is also examining his alleged threat to expose on his network the share dealings of Australia's largest institutional investor and the submission of faked news tapes to a radio licence hearing.

Mr Bond's lawyer insists he has not been "full and frank". The tribunal has the power to make him sell his broadcasting interests. Such a decision would remove an important cornerstone of an empire that extends across the world into banking, resources and property.

Gloom settles over Afghan deliberations

Every day brings new statements from one of the Peshawar seven criticising or rejecting a statement by another. Party officials, yet to learn the art of saying nothing, leave telephones of the hook, embarrassed that they have no answers for the growing horde of journalists.

Multinationals warned about violence against Korean workers

FOREIGN companies operating in South Korea who use violence against trade unions are likely to face increasing international condemnation from workers and the public in general, a senior union leader warned yesterday.

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Philippines makes US claim over N-plant

THE PHILIPPINE Government has presented evidence in a New Jersey court claiming that Westinghouse Electric of the US and its subsidiaries bribed former President Ferdinand Marcos in order to secure a contract for a nuclear power plant that has never worked.

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AMERICAN NEWS

Washington halts talks on sale of S&L institutions

By Lionel Barber in Washington

THE US Government has suspended all negotiations for the sale of failing savings and loan institutions, and scrapped the policy offering deferred government guarantees and other debt obligations to investors.

Teargas used as Jamaicans vote

By Canute James in Kingston

TEARGAS was used to break up crowds as Jamaicans voted in yesterday's general election. But sporadic political violence failed to deter voters, and there were indications of a high turnout in the first contested general election in the island since 1980.

Argentine inflation battle faltering

By Gary Mead in Buenos Aires

ARGENTINE President Raul Alfonsin's seven-month battle to control inflation seemed to be faltering yesterday as reports emerged that retailers were marking up some consumer goods by as much as 40 per cent, and that inflation for the first week of February reached 4.4 per cent, the highest weekly figure since August 1988.

World Bank and IMF set for talks on Mexican loans

By Stephen Fidler in Washington

MEXICO and the World Bank are expected to enter into formal negotiations soon over three loans totalling \$1bn. The new sector adjustment loans, details of which emerged after talks between Mr Barber Conable, the World Bank president, and Mr Pedro Aspe, the Mexican Finance Minister, could be disbursed by the end of the Bank's financial year on June 30.

Polyglot city faces racial tensions

Toronto's harmonious image is under threat, reports David Owen

LAST month's Miami race riots struck a chord in wintry Toronto, which is experiencing its own upsurge in racial tension following two police shootings of black men in less than six months.

Two US financiers charged with \$38bn tax fraud

By Anatole Kaletsky in New York

TWO well-known US financiers have been indicted by a Federal grand jury for what is alleged to be one of the biggest tax frauds ever against the US Internal Revenue Service.

Nova Scotia - where black and white pupils at a local high school squared off for three days last month in a series of scuffles - to Vancouver - where resentment towards the area's growing and generally well-heeled east Asian community is on the increase, fuelled partly by soaring property prices.

Cuban rights group

AN unofficial human rights group, Cuba's fourth, has emerged from the split of the country's oldest dissident organisation, Reuter reports from Havana.

The Marti Human Rights Committee, named after Cuban national hero Jose Marti, announced its creation in Havana on Wednesday night.

WORLD TRADE NEWS

BTR unit wins £40m tyre plant contracts

By John Griffiths

CONTRACTS worth £40m to set up or expand vehicle tyre plants in China, Iraq, Nigeria and Zimbabwe have been awarded to Dunlop International Technology (DITL), owned by the UK-based BTR industrial conglomerate.

UK groups plan consortia in bid to boost Soviet trade

By Peter Montagnon, World Trade Editor

SEVERAL British companies are considering forming consortia in order to raise their profile in Anglo-Soviet trade and undertake larger joint ventures, a senior Department of Trade and Industry official said yesterday.



Vladimir Kamenshev, UK visitor

Soviet Union boost its exports to create the third priority will go to the other British group in the competition, Plessey.

UK export guarantees likely to be scrutinised

By Peter Montagnon

THE FUTURE of the British Export Credits Guarantee Department is likely to come under fresh Government scrutiny after a revised set of accounts published yesterday revealed a loss of more than £1m (£1.74m) in the 1986-87 financial year.

Debt crisis figures mask improvement at ECGD

By Peter Montagnon, World Trade Editor

WHEN it produced its results for 1986/7 a year ago, the Export Credits Guarantee Department (ECGD) immediately came in for a barrage of criticism for presenting too rosy a picture of its affairs.

Turkey opts for GEC in £90m military radio deal

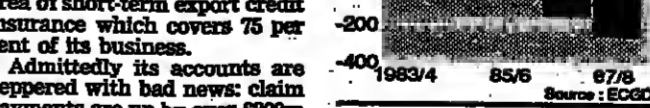
By David White, Defence Correspondent

TURKEY has confirmed GEC-Marconi of the UK as its first choice for a military radio deal worth \$90m, possibly rising to £200m.

Ford Australia's sports car plan enters low gear

FORD Australia's ambitious Capri sports car export project, reported recently to be in doubt, has been altered, writes Chris Sherwell in Sydney.

The change follows a visit to the home market before beginning exports to the US.



ECGD cumulative reserves

Stephens says the rapid response system for short term export credit insurance application has boosted turnover without sacrificing quality. The average premium rate has been increased and the hazy loss ratio by which claim levels are assessed has improved.

North trial halted on security concerns

THE TRIAL of former Marine Lt Col Oliver North was halted by a US Appeals Court yesterday because of national security concerns, AP reports from Washington.

US District Judge Gerhard Gesell announced in court that "an administrative stay has been entered" by a panel of the US Circuit Court of Appeals.

His report is not due till April, however, and such a conclusion would have to take account of the need to revise the project insurance division which has given rise to so many of ECGD's current problems.

UK NEWS

Water company accounts face price rise scrutiny

By Richard Evans and Philip Stephens in London and Tim Dickson in Brussels

BALANCE sheets of all statutory water companies which implement their threat to impose charge increases from April 1 of from 30 to 50 per cent are to be scrutinised by Government-appointed accountants...

will bring, and to bring them up to the changing levels of most authorities. In two other significant developments yesterday, there was continued confusion over the conflict on water purity standards between the UK Government and the European Commission...

valued authorities. His relaxed approach was not reflected in Brussels, where the Commission repeated its refusal to consider any formal exemption to the water purity directives. A spokesman added, however, that Brussels was "open to suggestions" on how the Water Bill now before the British Parliament could be made compatible with EC law...

Cheltenham district launches first such scheme in Britain with view to raising £250,000 in first year Health authority solicits commercial sponsorship

By Alan Pike, Social Affairs Correspondent

COMMERCIAL organisations were yesterday offered wide-ranging opportunities to sponsor the National Health Service in what is believed to be the first scheme of its kind in Britain. Cheltenham and District Health Authority in Gloucestershire, southern England, is inviting businesses to sponsor hospitals, wards and even teams of doctors and nurses...

which indicated that it is likely to receive a positive response from the business community. Sponsors will be expected to enter into five year contracts. A promotional video for the scheme has been sent by the health authority to the 50 leading employers in and around Cheltenham urging them to consider hospital sponsorship. This stresses the potential benefits to a company's image in the community, and points out that a former generation of philanthropic employers - like Cadbury and the Great Western Railway - provided hospitals for their workers in previous days. Cheltenham health authority

has a health service budget of £40m a year, but officials say they would like several hundred thousand pounds more to employ additional consultants and to improve services to patients. Mr David Leahy, chairman of the authority, said yesterday he hoped the sponsorship scheme would raise at least £250,000 in its first year. Mr Jim Hammond, general manager of the district health authority, said that the administrative body would consider any sponsorship ideas which commercial organisations proposed. This could involve naming hospital wards after sponsoring companies, or using

their logos on vehicles and headed stationery. Companies might also be willing to sponsor a particular consultant's post or medical team. But ideas which conflicted with health policy - like tobacco company sponsorship - would be rejected. He believed doctors and nurses would be willing to display a sponsor's logo on their uniforms if this formed part of a deal. "A small logo on a surgeon's greens (operating theatre coat) allows him to do things he would not otherwise be able to do, I ask 'why not?'" The scheme was criticised by

health service union leaders yesterday. They believe it is evidence of a growing trend towards NHS hospitals having to look for commercial support. However, Mr Hammond said that initial soundings among staff at Cheltenham indicated that they would support sponsorship schemes provided these led to improved services. He accepted that sponsors were likely to be disproportionately interested in high-profile, glamorous hospital activities. "But this does not matter, because if we increase our overall income as a result of sponsorship schemes, all services will benefit."

Government hastens pace of Civil Service relocation

By Hazel Duffy

UP TO 34,000 Civil Service jobs could be moved out of London and the south-east of England over the next few years. The figure represents 15 per cent of these jobs in the region. Mr Peter Brooke, Paymaster General, stated this yesterday in a written parliamentary answer which indicates that ministers are giving some urgency to the question of moving more civil servants away from the most congested part of Britain. This is partly in response to pressure from Mrs Margaret Thatcher, the Prime Minister, who wants the Civil Service to set an example to the private sector by moving to the regions. In addition, the Treasury is forcing the Civil Service to face up to the costs of operating in London and the south east by

imposing a squeeze on its running costs. Over the next three years departments have been told to find savings of 15 per cent a year in the costs of administration and pay. The difficulties in the south east of finding staff, particularly in the clerical and secretarial grades, is another factor which favours relocation. The Treasury's offer this week of 7 per cent pay increases this year to 195,000 junior civil servants, with extra payments to staff in London, reflects a national recruitment problem which is accentuated in London. Mr Brooke emphasised that not all the jobs under review would move. Many of the departmental exercises are still at a very early stage so that it is not possible to predict accurately how many jobs will be

moved. The swiftening pace with which relocation is being considered is reflected in the decision by ministers over the past year to commit their departments to moving 3,000 jobs out of London and the south east. They include more than 1,000 Department of Social Security jobs which will go to Glasgow, Belfast and Wigan, and 850 Patent Office jobs going to Newport, South Wales. The Government's programme of setting up agencies for the executive wing of the civil service, as recommended in The Next Steps report, is likely to intensify the cost advantages of operating out of the south east. About 30 per cent of the total 373,000 Civil Service jobs are already outside London and the south-east.

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Cautious advice for Chancellor on tax cuts

By Peter Norman, Economics Correspondent

THE BANK of England yesterday warned Mr Nigel Lawson, the Chancellor, to act cautiously if he was planning tax cuts in his Budget on March 14. In its latest Quarterly Bulletin, the Bank said it was unsure whether the sharp rise in bank base rates to the current 13 per cent from 7.5 per cent in the second half of last year would have the desired effect of curbing domestic demand sufficiently to reduce inflation. Although Britain's current account balance of payments deficit appeared to have stabilised, the Bank warned that this year it was likely to top last year's £14.3bn (\$24.9bn). "Only if the improvement through this year were even more rapid than the deterioration through last year, would 1989's deficit be lower than 1988's £14bn," it said. While a slowdown in consumer spending was likely, the Bank said it would take another three to six months before the main effects of the interest rate rise become apparent - implying that it would not favour a base rate cut around the time of the Budget. The Bulletin did not spell out the Bank's advice on fiscal policy, but made clear any tax cuts should be kept to a minimum. It said "significant" Budget surpluses "may persist for several years" and advised that "the authorities should remain cautious until the indicators provide stronger evidence that the slowdown is under way." Implicit in the Bank's report is the belief that any income tax changes next month should focus on the statutory reduction of tax from allowances and any cut in the present 25 per cent basic rate of tax should be minor. The Bank said there were signs the progressive tightening of monetary policy was beginning to take effect. The interest rate increases of last summer have contributed to a deceleration in the growth of M0, which measures mainly notes and coins in circulation, and a slowdown in lending. The sharp rise in house prices has slowed, first in the south-east around London and subsequently in other parts of Britain, while retail sales have also appeared to be more subdued. Underlying the Bank's approach is the belief that the risk of not controlling inflation is greater than the risk of an excessive downturn in economic activity. The bulletin warned that labour costs had emerged as a significant force behind the rise in inflation with no sign that earnings growth had moderated in any sector in recent months. It also reported that, measured over the long-term, UK labour productivity had grown at an average of 3 per cent a year in the 1980s. Lex, Page 18

Nuclear power levy set for 8% after power privatisation

By John Mason and Max Wilkinson

A NUCLEAR power levy of about 8 per cent will be charged when the electricity industry is privatised, the Government announced yesterday. At present prices this would mean a transfer of about £200m a year to the nuclear sector from power stations burning coal, oil or gas. The levy figure, given Mr Michael Spicer, Junior Energy Minister, during the committee stage of the Electricity Bill will surprise the industry. This is because the bill states that the levy must be based on contract prices between generating companies and distributors. However, these contracts do not exist, and the industry is still arguing about the basis on which they should be written and not even preliminary figures have been attached to drafts. After privatisation, the cost of nuclear electricity will depend crucially on the valuation of nuclear power stations when they are sold. This is certain to be much less than the values which the Central Electricity Generating Board (CEGB) uses at present to calculate its costs. Mr Spicer told the committee, however, that his estimate of the size of the nuclear levy was based roughly on the CEGB's present cost estimates. In an unpublished paper, Mr John Baker, the CEGB's managing director, said that nuclear power cost about 43 per cent more than power from fossil fuel at present. Mr Spicer said this indicated a cost differential of about 10 per cent, but sides explained afterwards that he meant that

the nuclear levy would be about 10 per cent based on Mr Baker's figures. The contracts to be agreed by the industry should enable this figure to be reduced to about 8 per cent, Mr Spicer said. The levy could fall to between 3.5 and 4 per cent as elderly Magnox reactors are phased out and eventually disappear if the pressurised water reactor programme proves as efficient as expected and coal prices rise, he said. Mr Tony Blair, the opposition Labour Party's Energy spokesman, said that this amounted to the Government finally admitting the levy was a "nuclear tax", costing domestic consumers £20 a year, to underwrite the PWR programme. He said the levy could rise, since initial forecasts of nuclear programme costs always proved too low. The Electricity Bill imposes upon the supply companies an obligation to buy a fixed quota of their power from nuclear reactors, which will be run by National Power, the larger of the two generating companies to be created by privatisation. The extra cost of nuclear power, above that from coal stations, is passed on to consumers through the levy, the size of which will be published by suppliers. Although not yet fixed, the quota level will be about 15 to 20 per cent of total needs, keeping the nuclear contribution at present levels. The "ring fencing" of nuclear power is intended to increase the security of supply by ensuring a diversity of sources.

Stock Exchange to probe Chamberlain shares rise

By Philip Coggan

THE STOCK Exchange surveillance department is investigating a sudden rise in the share price of Chamberlain Phipps, the shoe components and speciality chemicals company, before yesterday's announcement of a £71.8m all-share offer from Evode, the plastics and chemicals group. Chamberlain's share price rose 11p to 154p on Wednesday and then jumped a further 20p in early trading yesterday. Evode, which acquired a 4 per cent stake in Chamberlain last August, said it had hoped to secure a recommendation from the Chamberlain board. However, in view of the sharp share price increase, Evode said it had reluctantly concluded there was no alternative to making an immediate offer. Last night, Chamberlain issued a statement recommending shareholders to take no action. Evode said it had had discussions with Mr David Chamberlain, Chamberlain Phipps' chairman, over the past few weeks about the commercial rationale of a combination of

the two groups. However, these talks had not discussed financial terms nor were the two sets of advisers, Morgan Grenfell (for Evode) or Baring Brothers (for Chamberlain) involved. In its statement, Evode said that the combination of its adhesives and sealants division with that of Chamberlain Phipps would create a world player in that market, with turnover of over £75m. Last year, Evode made pre-tax profits of £9.04m on turnover of £122.4m while Chamberlain Phipps made profits of £7.57m on turnover of £120.6m. The terms of the offer are one Evode share for every share in Chamberlain Phipps, although accepting Chamberlain holders will not be entitled to Evode's 8.83p final dividend. Shareholders will be entitled to elect to receive preference shares, carrying an 8 per cent yield, in respect of one quarter of their holdings. Evode is also offering 100p for every Chamberlain preference share. Last night, Evode shares closed down 11p to 194p; Chamberlain's were up 43p at 197p.

Advertisement for Embankment Place, a landmark office building in London. The ad features a large black and white photograph of the building's facade, which is a grand, classical-style structure with multiple arches and columns. Above the photo, the text reads 'A LANDMARK FOR LONDON'. Below the photo, it says 'Embankment Place, developed by Greycoat. 350,000 sq. ft. of unique office space rising majestically above Charing Cross station with magnificent views of the river.' At the bottom, it provides contact information: 'It will be ready later this year. For details telephone Baker Harris Saunders 01-796 4000, Hillier Parker 01-629 7666 or E. A. Shaw & Partners 01-240 2255.'

UK NEWS

# Racial equality body faces finance crisis

By Jimmy Burns, Labour Staff

THE COMMISSION for Racial Equality is facing a potentially crippling cash crisis which has forced the Government to allocate £100,000 in extra funds.

The CRE yesterday blamed continuing Government underfunding for its inability to carry out a number of duties which it is entrusted under the Race Relations Act.

The CRE expected this to be the second successive year in which it will be turning away some requests for legal assistance in industrial tribunal cases of alleged racial discrimination. Last year 25 applications were turned away for financial reasons.

Mr Peter Sanders, chief executive, said yesterday: "Our situation is extremely difficult financially... unless there are substantial changes in legislation and our finances we cannot see there being any substantial reduction in the level of racial discrimination."

The way CRE's effectiveness has been hit because of underfunding include:

- Abandoning an annual £40,000 bursary for a business

- development course in the US.
- Delays in the publication of a key survey into employers' adherence to the CRE's Code of Practice.
- Delays in the disbursement of over £780,000 committed in the CRE's budget for special training and community projects.
- Staff cuts in the CRE and within the Community Relations Councils through which the commission liaise with local authorities on housing and education programmes.
- After a pattern of recent years, government funding to the CRE over the last year had not kept pace with inflation.

The CRE's annual budget for 1988-89 was £11.16m compared with £10.8m in 1987-88, and commission officials privately indicate that the extra £100,000 will barely suffice to pay off pending bills.

As a result the CRE is thought to be in the process of drawing up a strategic plan to present to the Government within the next few weeks, with a call for a substantial increase in future funding.

# Egg sales 'a third down'

By Lisa Wood

UK EGG consumption is a third below the level of this time last year and more chickens will have to be destroyed, the industry warned yesterday.

Sales had appeared to be returning to normal after Christmas but the industry said this was mainly because retailers had been restocking

after the slump in orders before Christmas.

The UK Egg Producers Association said supermarket sales were down by about 20 per cent.

The drop in sales follows a row over the incidence of the virus salmonella in British egg production.

# Smith Kline ruling boosts generic drug makers

## Law lords uphold procedures for copying pharmaceuticals

By Peter Marsh and Raymond Hughes

BRITAIN'S generic drugs industry received a boost yesterday as a result of a House of Lords judgment upholding the legality of the way companies gain product licences for making copies of branded pharmaceuticals.

The decision may also lead to further ructions between Britain's makers of generic medicines and the branded drugs sector.

This business includes big UK-owned companies such as Glaxo and Beecham as well as UK subsidiaries of many overseas pharmaceutical groups. Generic drugs account for annual UK sales of some £300m, or roughly 10 per cent of the National Health Service's pharmaceuticals spending.

They are copies of branded medications which can be made when the patents on these products expire and which are normally cheaper.

Yesterday's ruling concerned a long-running tussle between the UK subsidiary of Smith Kline & French Laboratories (SKF), a pharmaceutical company owned by SmithKline Beecham, a US healthcare group - and the Department of Health.

Some of the branded-product companies complain that their high spending on research and development makes them entitled to longer periods of patent protection on their products. That move would automatically decrease the activities of the generic industry.

In yesterday's ruling, Lord Templeman, one of the Law Lords, said SKF had been trying to "harass and obstruct" the Health Department's consideration of licence applications. These had involved requests by several generic companies to produce copies of Tagamet, a best-selling anti-ulcer drug made by the US company.

Lord Templeman said that SKF had been trying, through a campaign in parliament and the courts, to prolong its monopoly on Tagamet, which has annual UK sales of about £50m, beyond the statutory period.

In the judgment, Lord Templeman and four other Law Lords unanimously rejected SKF's appeal against an earlier Court of Appeal ruling last June.

This court had concluded that the Health Department, when deciding whether to allow copies of patented formulations to be made and marketed, was entitled to use confidential information on patient trials supplied to it by the holder of the patent on the original drug.

The Health Department "should not be deterred from exercising its rights and powers so as to ensure public safety and fairness to all applicants, whether or not they resort to campaign and litigation," Lord Templeman said.

He added that the DHSS, as the licensing authority, could not discharge its duties to safeguard the nation's health and to treat all applicants fairly unless it could make use of all available information, confidential or otherwise.

SKF had contested applications by Generics (UK) and Harris Pharmaceuticals - two producers of generic drugs - for licences to make, import and sell copies of Tagamet. Under UK patent legislation, Tagamet was available for copying last March.

SKF, the judge said, understandably objected to Tagamet being copied by Generics (UK), Harris or anyone else.

Its argument was based on the proposition that if a product was worth copying the law should protect it against being copied. "That is not the law," Lord Templeman said.

SKF said yesterday it was disappointed by the ruling and that it could make it less likely for branded drug companies to want to spend cash on research and development in Britain.

Mr Michael Clark, a director of Generics (UK), said he was delighted. "We hope to have our version of Tagamet available in the next few months."

The Health Department said it was pleased by the judgment as it underscored its right to use data supplied by branded-drug makers when considering applications from companies which wanted to make their own versions of branded products.

Mr Martin Paltmou, a drugs industry consultant who specialises in the generic-pharmaceutical sector, said the ruling was a boost for the entire generic industry.

# A favourable wind which still blows a chill

Michael Prowse assesses the bid to encourage science studies

VISIT almost any British university and you will find that while the scientists and engineers are not exactly eulogic, they are less depressed than colleagues in the humanities.

Their high spirits reflect one of the enduring policy priorities of the 1980s: the determination to shift resources, and students from arts subjects to the sciences.

Since 1979, Mrs Margaret Thatcher's first year in power, the proportion of full-time students studying science-related subjects has risen significantly. And while full-time permanent academic staff have been axed in all departments, many more jobs have disappeared in arts disciplines than in science and engineering.

The sciences have also benefited from changes in funding policy. Central government grants have been tightly restricted in order to force institutions to become more reliant on research awards and cash raised from industry and charities. Yet science and engineering faculties inevitably find it much easier to win contracts and market services profitably than, say, philosophers or ancient historians.

Even though the sciences are in better shape than the humanities, they are still deeply troubled. The 13 per cent increase in the budget of the five main research councils announced in November was the first significant rise for more than a decade. Between 1981-82 and 1987-88, the science budget rose by about 2 per cent a year, after allowing for general inflation. But costs - salaries, equipment, books and so forth - have risen much faster than prices generally. British research has therefore experienced a prolonged squeeze.

A master's degree in investment and financial services, believed to be the first of its kind, has been launched by the Institute of Chartered Secretaries and Administrators in collaboration with Hull University and Leeds Polytechnic. It is aimed to raise levels of training in financial services.

The course will be part-time and is planned to proceed in close co-operation with a student employer. It will take two years to complete and cost £3,250 a year.

Ms Gail Striving, the institute's education director, said there was a need for a more structured approach to training in financial services.

The MBA will have two parts: A compulsory core will consist of topics directly related to financial services, such as regulation and compliance, investment topics and corporate finance.

There will also be a range of optional courses dealing with broader business issues, such as marketing, strategic management and communications.

# In Brief Dunlop wins overseas tyre plant contracts

CONTRACTS worth £40m to set up or expand vehicle tyre plants in China, Iraq, Nigeria and Zimbabwe have been awarded to Dunlop International Technology, owned by BTR, the UK conglomerate, John Griffiths writes.

The largest of contracts is for £21.5m, to develop a 150,000 units a year radial truck tyre plant in China's Sichuan province. Work has begun on the Iraqi contract, worth £10m, and involves a plant to produce car, commercial vehicle and tractor tyres with a capacity of 2m a year.

The other two contracts, with a combined value of around £8m, are to increase output of radial car tyres from 100,000 to 500,000 a year at the Dunlop Nigeria plant in Lagos, and to help Dunlop Zimbabwe develop a truck tyre design.

# Channel completion date postponed

The completion date for the Channel Tunnel has been postponed for several weeks because of problems caused by unexpectedly difficult tunneling conditions.

Eurotunnel, Anglo-French consortium which will operate the tunnel, is understood to have agreed a new timetable with Transmanche-Link, the consortium of 19 construction companies building the tunnel. The revised target means the tunnel will not open on schedule in May 1993 unless the lost time can be recovered.

# Car pay votes

An overwhelming vote by 4,500 manual workers at Peugeot Talbot's Coventry plant rejected a pay deal worth just under 16 per cent over two years. Also, union leaders at Jaguar, luxury carmaker, predicted that the 9,000 workers will vote against accepting a two-year deal worth just over 4 per cent a year.

# IBM exports up

UK division of International Business Machines, the world's largest computer maker, raised export volume by 17 per cent last year and its workforce by 660 to 18,686. This follows a period of consolidation and staff reductions in the mid-1980s.

# Gold share backing

The European Commission has told the UK Government that its proposal to hold a "golden share" in the privatised water authorities to prevent unwelcome takeovers is in accord with EC.

# Actuaries link

Bacon & Woodrow, one of the top three UK actuaries, announced a joint venture with Cockman, Consultants & Partners, management consultants specialising in employee benefits.

# Kinnock EC move

Mr Neil Kinnock is expected today to commit the Labour Party to fight the June European Parliament elections on a platform of strengthened monetary and political union. The Labour leader will join 13 socialist party leaders from the EC in signing the 1989 Euro-election manifesto.

# Oil licensing

Oil Groups involving 84 companies have made 125 licence applications to the UK's 11th round of offshore licensing.



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The Church, Jan Garbarck, Leonard Cohen, Pink Floyd, Frank Sinatra, Celia Cruz, Daniel Barenboim, The Moscow Philharmonic Orchestra, Simply Red, Manhattan Transfer, Carmel, Franco Battiato, The Cure...

The Pogues, Toquinho, Kraftwerk, Freddy Mercury, Winton Marsalis, Stephane Grappelli, Carlos Santana, Tracy Chapman, The Rolling Stones, Pablo Milanés, The Pretenders, Michael Jackson, Bruce Springsteen, George Benson, Carmen McRae, The Berlin Philharmonic Orchestra...

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# Government presses for quick removal of food mineral oils

By Christopher Parkes, Consumer Industries Editor

ALTHOUGH food makers are to be barred in Britain from using mineral oil in their products, consumers will still be able to dose themselves with the most common type, liquid paraffin, which will remain readily available over the counter. These so-called "white oils" are also used extensively in cosmetics.

The Ministry of Agriculture announced the ban yesterday, while the Department of Health said no similar action was planned against liquid paraffin, a common laxative.

Mr Richard Ryder, junior agriculture minister, told the House of Commons in a written answer that mineral hydrocarbons "should be removed from direct food use and from food processing as quickly as practicable."

Mineral hydrocarbons are a group of petroleum-based oils and waxes widely used in food

processing. Some fruit suppliers coat raisins, sultanas, oranges and lemons with a liquid paraffin gloss. Bread makers use it to lubricate the blades which cut dough into loaf-shapes. Related products are also mixed in the coloured "rinds" which prevent moisture loss in cheese varieties such as Edam and Gouda. Confectionery, dairy and sausage makers will also be affected.

The use of white oils in food packaging and chewing gum - to add chewability - is under separate review, and will be allowed to continue at least until the industry's Food Advisory Committee reports in a separate review.

The food industry and retailers were taken by surprise by the announcement, and were told of the ban only on Wednesday. If the Government presses ahead with its proposed timetable, they could be obliged to remove from stock and display all products containing the oils in three weeks.

Mr Ryder's reply yesterday

said only that the products were "no longer acceptable for food." It omitted information on scientific evidence given to the trade which showed tissue damage had been found in animals fed on low doses of the hydrocarbons. Residues were found in test animals' livers and other organs. There was also evidence that the hydrocarbons "accumulated" in human organs, although it was stressed that no damage had been found.

Selomon and Seaber, a London-based food analysis and consultancy company, said that to be safe only the highest grades of oil should be used in food. Some types contained polycyclic aromatic hydrocarbons, which were carcinogenic.

White oils are already banned for food use in several countries, including the US, Japan and West Germany, although dried fruits coated with them are imported into the UK from several sources, including Turkey.



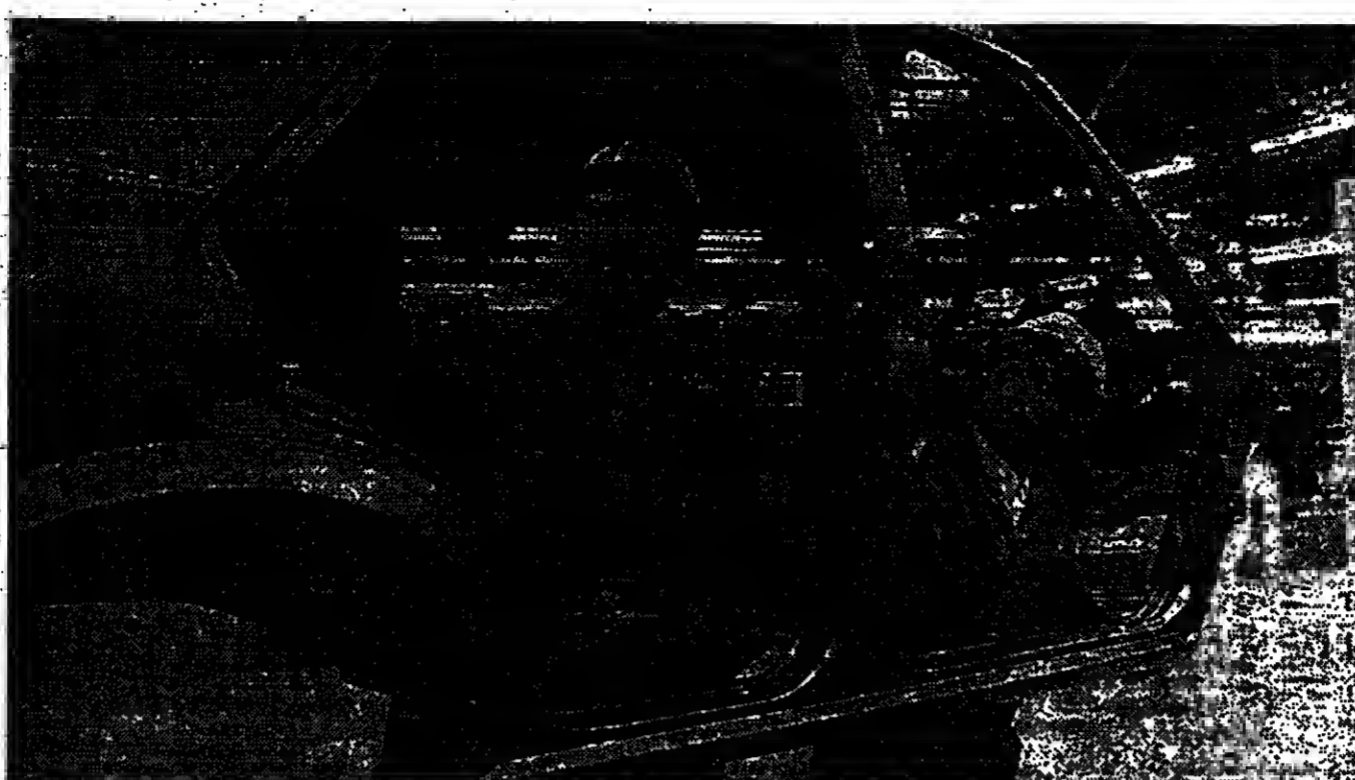
ACCESS TO THE EUROPEAN MARKET

Some original ideas on the limits to free trade

The EC is drawing up tight rules for products to qualify as local, writes William Dawkins

A new and poorly understood bogey is starting to add to Japanese and US companies' fears that the European Community might be tempted into greater protectionism as it builds its single market for 1992.

The European Commission's customs directorate has emerged from a long period of obscurity to play a newly political part in EC trade policy. It is, for the first time in a decade, drawing up tight local content requirements to be observed by a range of sensitive products.



British and Japanese at work on a car in north-east England: Brussels must decide whether the product is European

avoid 20 per cent EC dumping duties on its direct exports by selling to Europe from a Californian plant supplied with allegedly dumped components.

technical committees in this field. European Governments only get directly involved at ministerial level when the committee is unable to agree.

mission customs experts. The upshot was the current Commission proposal to define the origin of photocopyers as the country where their most technologically sophisticated components are made.

half-dozen will be under severe pressure by the Commission's new regulation to invest an estimated Y30bn (£133m) in European diffusion plants.

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West End & Victoria Property The Financial Times proposes to publish this survey on: 3rd March 1989 For a full editorial synopsis and advertisement details, please contact: Joanna Dawson on 01-248 8880 ext 3269 or write to her at: Bracken House, 10 Cannon Street London EC4A 3DF

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THE PROPERTY MARKET

Paul Cheeseright looks at the continuing arguments about the imposition of VAT on property

# Spectre of the two-tier market

With the inevitability of the tide, value added tax (VAT) has come in for property and construction. The effects are likely to be neutral in most cases. VAT is, after all, a tax which is passed on to somebody else and the final cost, with a few notable exceptions, will be absorbed by those who buy the services or goods of the property users. It is the exceptions - the financial houses which do not charge VAT on their services and the transitional arrangements - which could be the problem for property people.

There is probably a general acceptance that, as the Government was obliged by a European Court of Justice judgment to bring property and construction into the VAT net, the result could be a lot more onerous than it actually is.

"We have gone as far as the terms of the judgment would permit to minimise the burden of taxation and compliance," Mr Peter Lilley, Economic Secretary to the Treasury, claims in a letter to Mr John Heddle, the Conservative MP.

At any rate, the tax at the standard rate of 15 per cent, starts on April 1. It applies to new buildings - with "new" defined as anything up to three years old. It applies to building land - which becomes liable to VAT when construction starts and then only if the developer does not exercise the option to tax rents or if the building is for the occupation of the company building it.

This option to tax refers to the ability of a landlord after August 1 1989 to choose whether or not to levy VAT on

rents. If a landlord does, he can in effect pass on the VAT charges accrued during the development period of a building. If not, then the VAT stops with the landlord.

But, in important respects, VAT is phased in. For tenants it comes in over two years. Developers escape if construction contracts for a project were signed before June 21 1988 or if they had a legal agreement and planning permission to proceed with a development before that date.

All of this is contained in draft clauses for this year's Budget and Finance Bill. But there are various problems.

● Building land. The Government's approach to this was not in the consultation paper and, commented D.J. Freeman, solicitors, "this change will potentially bring into the tax many people who believed that, on the basis of the original proposals, they would not be caught."

Because the tax will catch owner-developers it may be a deterrent to expansion, hitting institutions like the Norwich Union which has a substantial programme of new buildings for its own occupation.

And there is likely to be an impact on the City of London market. It is worrying, explains Christopher Hedley of Hillier Parker, chartered sur-



The City of London: uncertainties in the letting market if some landlords charge VAT on rents and others do not

veyors, "because it means that whenever any development proceeds - if it is to remain exempt from VAT - the landlord is going to have to pay VAT on the land costs." But land values in the City mean it would be difficult for developers to absorb VAT on rents. They would have to pass it on.

● This raises the whole question of the option to charge VAT on rents, which is the landlord's legal right but

which may be resisted commercially because if VAT is charged a tenant may seek to offset this by lower rents.

The most difficult landlord-tenant relationship is likely to be where the financial sector is involved. Much of this does not charge VAT on the services it provides, so cannot claim back VAT on bought-in services. So where the financial sector is strongly represented - the City, the business area of Manchester and so on - there

could be uncertainties in the letting market.

"In some cases," predicted Nabarro Nathanson, "landlords will postpone a decision as to whether to standard rate (rents) and will adopt a wait-and-see policy to see how the market moves." This presents the spectre of a two-tier market - one with VAT on rents and one without.

"In a strong market anything goes," said Ian Cockburn

of Electricity Supply Nominees. But the City market is not likely in the short- and medium-term to be as strong as it was. And the regional market can quickly go from short- to over-supply of offices.

"There is a school of thought that feels that in anything but a strong letting market a two-tier market could appear," Mr Cockburn added. Tenants are likely to be more demanding so that if VAT is passed on they

will want in return a rents discount of perhaps 10 per cent.

Landlords have some difficult choices to make. Once they have opted to pass on VAT, the decision is irrevocable. "Even if all a landlord's current tenants are in a position to claim credit for VAT added to their rents, future tenants in the finance or insurance sector, who are unable to reclaim the VAT charged, would have no choice but to pay VAT on their rent. This could make the accommodation uneconomic for a potential new tenant, compared with another building where the landlord has not exercised his option to tax," says Price Waterhouse, accountants.

● Transitional arrangements and the future of major inner city projects where the financial sector might be expected to occupy significant amounts of space. Such could include King's Cross and the Royal Docklands in London and projects in Edinburgh, Glasgow, Leeds, Bradford, Birmingham and Bristol.

"To avoid the tax from being retrospective I can see no case to distinguish between those legally and those commercially committed. Both of them deserve equal treatment," argues Mr Heddle. The point here is that those legally committed to a project before June

1989 'escape' VAT: those with land purchased but without legal commitments to develop, have to pay it.

Mr Heddle fears that inner city land values, because of the VAT imposition, will fall on schemes where the margin between profit and loss is fragile. That in turn will lead to stronger demand for more public funds to be applied to inner city programmes.

The worry here is that VAT will increase costs but at the same time makes financial sector tenants less certain and therefore undermine the funding structure of some projects. The Treasury thinks it has gone as far as it can.

Mr Lilley's letter stated that "to extend relief to anyone with any economic commitment (defined to include any land purchased for development in the three years before the Court ruling) would be hard to justify." It would leave the Government open to charges of further infractions of EC rules - a point contested in the private sector. It would give some developers an unfair advantage.

The argument will continue. The Government will be told that it is simply being arbitrary in its approach to the transitional arrangements. It will be told that it can hardly be serious about its inner city regeneration policy if it makes the financially difficult even more difficult.

But complaints from a sector where returns latterly have been running at around 30 per cent - even though that might be abnormal - tend to be shrugged off as ritual gripes as a new tax takes effect.

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FT M40

MANAGEMENT

Food processing technology

Learning lessons from a crumbling cookie

Peter Montagnon explains why APV hopes to increase trade with the Soviet Union, despite missing out on an earlier contract



Sir Ronald McIntosh, chairman of APV

When Vladimir Kamensev, one of the Soviet Union's top trade officials visited Britain this week...

negotiating the specifications for the project. The period from the start of negotiations to the award of the contract was an unheard of six months.

Although Soviet joint venture legislation is being modified to allow foreigners to take majority stakes, Baldwin believes there are still doubts about the degree of control which a foreign partner can exercise.



Vladimir Kamensev (right), investigating food processing and distribution, at a British supermarket this week

Although Soviet joint venture legislation is being modified to allow foreigners to take majority stakes, Baldwin believes there are still doubts about the degree of control which a foreign partner can exercise.

When British Aerospace bought Royal Ordnance in 1977 it knew that its small arms activities were "in difficulties". They were unprofitable and gave poor customer service.

Reorganisation at Royal Ordnance Into the firing line

Lynton McLain on the input of British Aerospace management

When British Aerospace bought Royal Ordnance in 1977 it knew that its small arms activities were "in difficulties". They were unprofitable and gave poor customer service.

tingham made radical improvements over the old Enfield factory. At least 80 per cent of the 150 components for the SA80 rifle are sub-contracted to outside manufacturers...

TECHNOLOGY

At the beginning of March the UK's Department of Energy will decide whether to finance a British computer company to develop software to speed up the analysis of seismic data gathered during oil exploration.

Chips that work side by side instead of in a queue

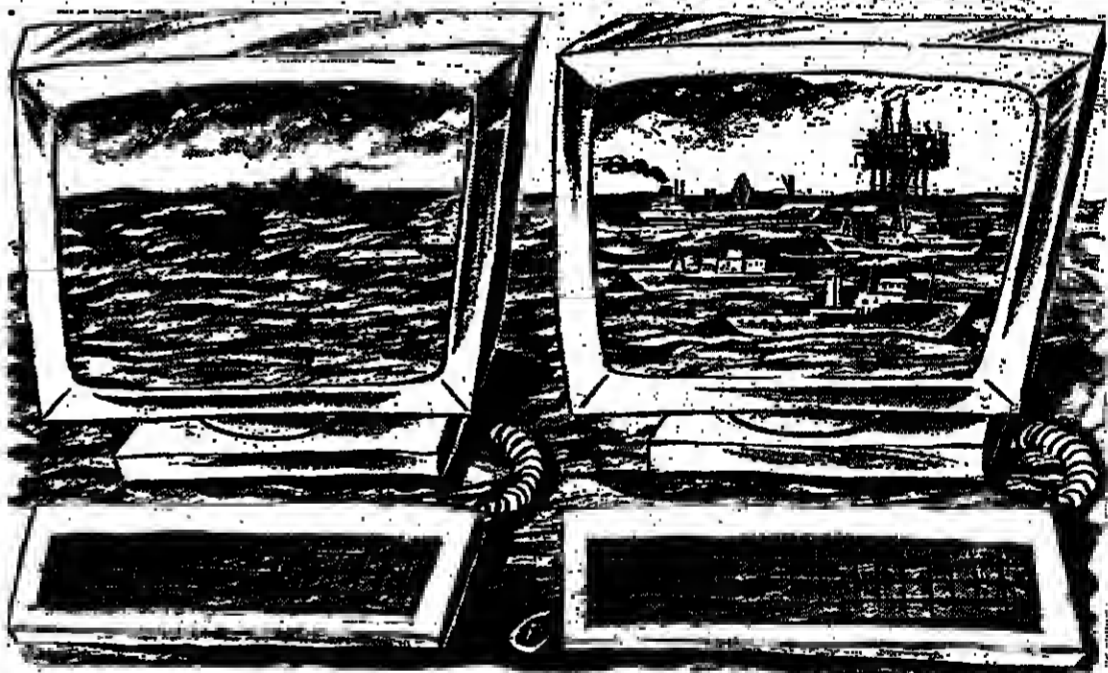
Della Bradshaw explains why parallel processing is so eagerly awaited by the oil industry

The software would run on one of a new generation of computers which use parallel processing to speed up calculations. They work by processing a number of pieces of information simultaneously...

central to the debate is how information can be split up so as to allow each section of the data to be processed separately.

commercial document processing could be done in this way. "With a word processing package there is no reason why page one cannot be processed by one processor, page two by another and so on."

not new. The Enigma code-breaking machine, used during the Second World War, is regarded by some as the first parallel system because it processed several pieces of data at the same time.



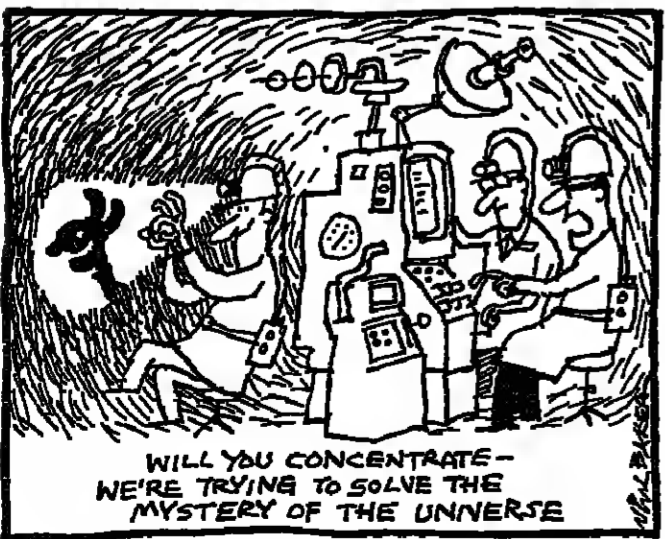
systems and those which use a large number - often thousands - of smaller processors.

are often dubbed massively parallel-processing computers. Of the 150 systems delivered by NCube, for example, several have between 600 and 1,000 processors.

Although the future for parallel-processing systems looks rosy, manufacturers acknowledge that operating and applications software is still rudimentary.

Scientists plan to search for the origins of the universe in a Yorkshire mine

Clive Cookson and Nigel Burnham report on an experiment that could identify particles of a mysterious and extensive substance called 'dark matter'



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Scientists are planning to use a cavern in Europe's deepest mine for an experiment intended to solve several mysteries about the origin and composition of the universe.

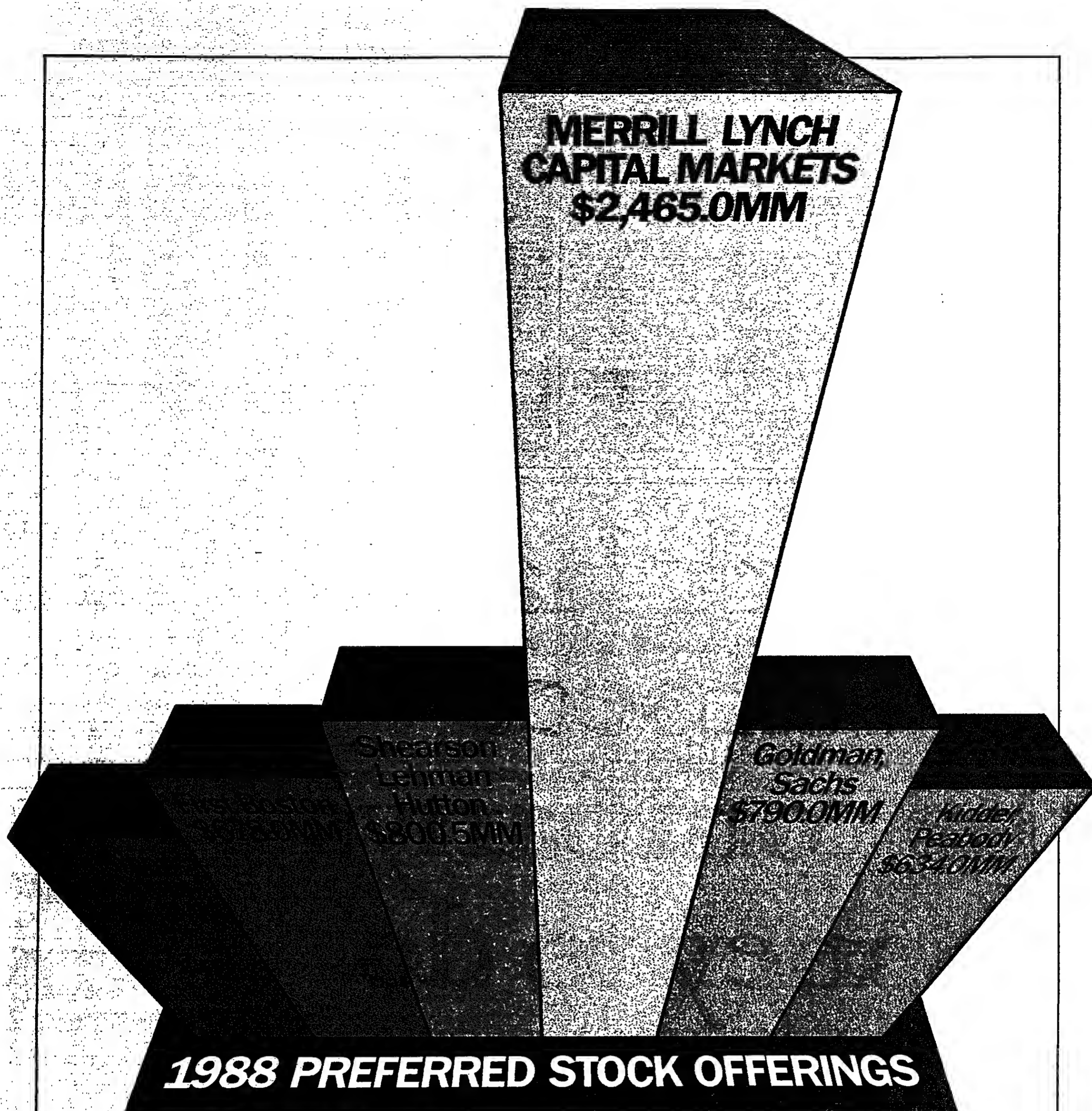
provide a working space for the scientists. The work has to take place deep underground, so that the blanket of rock above will absorb most of the cosmic rays and particles which would otherwise swamp the delicate detectors being used.

matter is. Some astronomers believe that it consists of massive "black holes" surrounding the conventional stars in galaxies. But others say that the dark matter is made up of tiny subatomic particles left over from the Big Bang at the origin of the universe.

Several candidate particles - heavy neutrinos, axions, photinos, Higgsinos, gravitinos and others - have been proposed. Peter Smith of the Rutherford Appleton Laboratory, who is leading the research team, favours photinos, each some heavier than a hydrogen atom.

1,100 metres of rock above the scientific cavern. These particles - if they exist - would interact little with conventional matter and so would move easily through the rock.

the proton, the most stable of subatomic particles, will eventually decay. But the proposed Cleveland Potash experiment would be the first to look for particles of dark matter in this way.



Source: IDD Information Services. Credit is given to the lead manager for the issue.

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F S|Su| M|Tu|W|Th
10|11|12|13|14|15|16

OPERA AND BALLET
London
Royal Opera, Covent Garden. The long-awaited first London performances of an opera by Luciano Berio are given by the Royal Opera.

mance on Feb 15. Sadler's Wells Theatre, Northern Ballet Theatre ends a season with its dull Don Quixote on Feb 11.

Paris
Opera. Wagner's Die Meistersinger von Nürnberg conducted by Lothar Zagrosek in the Hamburg Staatsoper production.

Vienna
Staatsoper. In repertory: Werther conducted by Sir Charles Mackerras, with Martine Dupuy.

Berlin
Opera. Die Hochzeit des Figaro has a strong cast led by Julia Varady, Iris Vermillion, Carol Wyatt.

Hamburg
Opera. Der Rosenkavalier, conducted by Silvio Varviso is sung

by Anna Tomowa-Sintow, Hildegard Hartwig, Gabriels Rossmannith and Hans Sotin. Ariadne auf Naxos is a well done repertoire performance with Anna Tomowa-Sintow in the title role.

Bonn
Opera. Last performance of Lucidor, choreographed by Yuri Vasnes, Tamzhilusa stars Grace Bumbury, Richard Versalje, Alfred Muff, John Brocheier, Nadien Demize and Christer Bladin.

Amsterdam
Netherlands Opera. Premiere of new production of Berlioz's Damnation de Faust directed by Harry Kupfer.

Rome
Teatro dell Opera. Elegant neo-classical production of Cimarosa's Gli Orazi e i Curiazi by Francesco Zambello.

which includes Anna Caterina Antonacci and Gianna Rolandi as the ill-starred lovers: the Roman equivalent of the Montagues and Capulets (46.17.56)

Milan
Teatro alla Scala. Puccini's Tosca in Piero Faggioni's production, with scenery and costumes by Nicola Bendis.

New York
Metropolitan Opera House, Lincoln Center. David Shneider conducts Idomeneo with Carol Vaness as Elettra.

Edinburgh
National Opera House. The first performance of a new production of Giuseppe Verdi's Macbeth, directed by Harry Kupfer.

THEATRE London

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing.

The Secret Rapture (Lytalton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics.

Reddervall
Edna (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thurs). (413 2490)

New York

Edna (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thurs). (413 2490)

New York
Edna (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thurs). (413 2490)

Washington

Edna (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thurs). (413 2490)

New York
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Tokyo

Edna (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thurs). (413 2490)

New York
Edna (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thurs). (413 2490)

EXHIBITIONS London

The Royal Academy, Italian Art in the 20th century, after German and British, the third in the Academy's roughly biennial sequence.

Paris
Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from all over the world form an important retrospective of the legendary peintre maudit.

Brussels
Musée Beaulieu. Les Faisons de la Section. The art of photography in the 19th century.

Antwerp
Museum of Contemporary Art of Antwerp. British sculptures 1960-1982. A major exhibition of works by 36 contemporary British sculptors.

Rotterdam
Boymans-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school.

Vienna
Kunsthistorisches Museum. Prague 1800 - A marvellous exhibition looking at the court of Rudolf II.

Rome
Spanish Academy (Piazza S. Pietro in Montorio 3). Seventeenth and eighteenth century Italian drawings from the Biblioteca Nacional.

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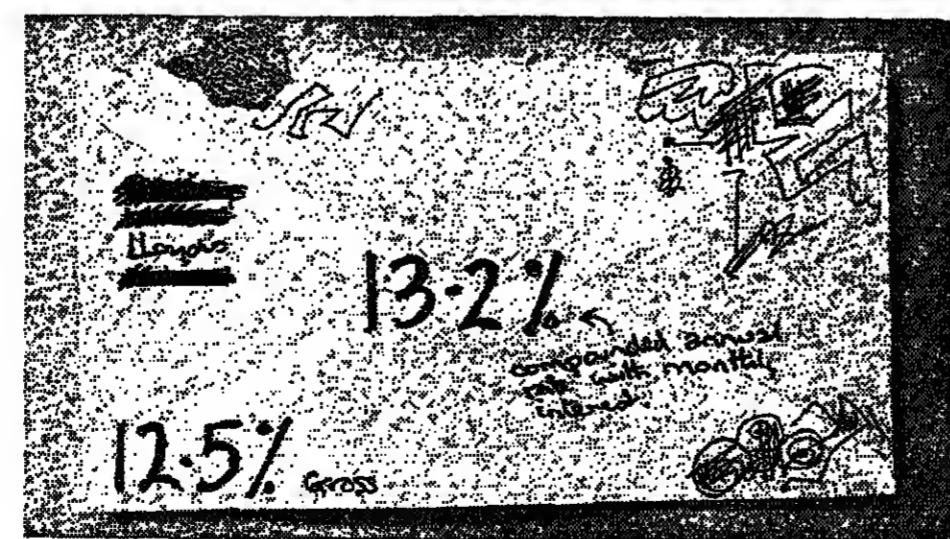
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Continued on Page 15

ARTS

William and Mary style, USA

Paula Deitz visits the Cooper-Hewitt Museum, New York

In a sense, the exhibition now in New York called Courts and Colonies: The William and Mary Style in Holland, England and America is both a complement and a counterpart to the recent exhibition at Christia's on the Anglo-Dutch garden of the same period.

Here, to celebrate the tercentenary of the Glorious Revolution, the point of departure is the evolution of the richly ornamental and muted interiors that extended to the gardens, rather than the other way around.

Because each selection in the exhibition makes a valuable point about the period, this is the kind of display that sums up a period sociologically and historically rather than overloading the senses with a glut of detail.

In America, one can say that America had arrived, and these have become an enduring symbol here of the period. The high-chests on legs made in the Colonies were more subtle in design with inlaid floral motifs, but no less exuberant than the English-style cabinets with painted flowers on carved silver stands.



Bust of William III as King of England, wearing the extravagant mouchoir, or neckerchief, popular during the period. Tin-glazed earthenware

Derek Jacobi Richard III

Much as I admire Frankie Howard I am not sure that I want to see him as Richard III. By doubts are intensified by Derek Jacobi's assumption of Shakespeare's crouchback which, for the first half of the evening at least, is played for laughs in a way that irresistibly recalls the great Francis' imitable blend of prissy disapproval and the costly confiding risk.

Siblings

The actor Peter Eyre has tracked down a manuscript of Klaus Mann's 1930 play Siblings (Geschwister), based on Cocteau's Les Enfants Terribles, and translated it with the help of Tania Alexander.

many. But the Other World of Stalin's address to the workers, of Nuremberg, of the American Unemployment figures, is only briefly mentioned. It is resolutely Parisian, nothing like Mann's 1938 tumultuous national novel Mephisto.

Greek legend. Paul deviates amorously, normally, spoils the game. Cocteau's last serio chapters are well done here, with shadows and silhouettes, people appearing round corners with candles, and a final deathly pieta of poisoned brother and ecstatically suicidal sister.

Olaf Baer

For Hugo Wolf the years 1888-9 were the double annus mirabilis of his composing career. The centenary of the first seems to have gone unnoticed in 1988, but this year Geoffrey Parsons has organised a fitting celebration in the form of six Lied recitals at the Wigmore Hall, each with a different singer, which will embrace all the Goethe settings of that glorious period.

kan, and now Baer, to judge from his current programmes. With Baer, however, that tradition has taken a turn. Unlike his immediate predecessors, this young baritone responds primarily to the music in the songs and the listener reacts accordingly. Faced with singing as relaxed and beautiful as that in atmospheric pieces like "Frühling über's Jahr" or "Nachtzänher", nobody is going to refuse the invitation to lean back and drink in this singer's flow of honeyed tone.

The Royal Academy's plans for 1989

The Royal Academy yesterday announced an off beat programme for 1989, encouraged by a successful 1988. Attendance rose by 23 per cent, to 943,898, by the end of the RA year, and the institution, not funded by the Arts Council, produced a surplus of £150,000.

FPC Young Singer of the Year

The National Opera Studio, where advanced young opera-singers come for the final touches of what the Italians call perfezionamento, has found a novel way of providing the stimulus of competition among its students. This is competition without some of its more debilitating aspects: an annual concert of arts-with-a-plan, one per singer, before a small team of judges, with just one prize (of £1,000). The main advantage of this purely "in-house" event is that it is not of earthshattering significance for either the winner or the others - merely a very pleasant bonus.

RESIDENT ABROAD takes to the streets! The monthly magazine for expatriates published by the Financial Times is now on sale in selected newsagents and bookstores in Madrid. Pick up the February issue today and benefit from our definitive list of do's and don't's for the ideal client/ accountant relationship.

ARTS GUIDE February 10-16

- Continued from Page 14 MUSIC London English Chamber Orchestra conducted by Jeffrey Tate. (Mon) Barbican Hall (838 8891). Young Musicians' Symphony Orchestra presents a Tchaikovsky evening (Wed), Barbican Hall (838 8891).

Lutoslawski FESTIVAL HALL The programmes Lutoslawski has put together for the current Philharmonia series are as fastidious and lucidly conceived as his own music. Each places his work in a different context, teasing out the influences and setting up some unexpected correspondences. The last concert, for instance, will combine his Third Symphony and Cello Concerto with Haydn, and Wednesday's event gave an exclusively French setting to his jewel-like Double Concerto for oboe and harp.

FINANCIAL TIMES

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Friday February 10 1989

Bleak outlook in Afghanistan

THERE CAN no longer be any doubt that the Soviet Union is respecting the deadline, now only five days away, which was set by last April's Geneva accord for the withdrawal of Soviet troops from Afghanistan.

Nor can there be any doubt about the bleak future facing the long-suffering Afghan people. A shura (religious consultative assembly) meets today in Rawalpindi to try to formulate a pattern of government for the future; its delegates are divided by ambition and jealousy.

No tears need be wept for the Soviet humiliation. After the appalling damage done to Afghanistan, that was the least that Moscow deserved. The Soviet Union did, after all, come to seed mines after the UN accord was signed - at least 30m mines, or two for each Afghan, he hurled and unmapped to blow the peasants and their livestock to pieces for years to come.

Arming clients

But celebrations even in Western capitals would hardly be solemn when the withdrawal leaves Afghanistan in such a sorry state and with hardly even a chance that the war is coming to an end. The West, particularly the US, must bear some responsibility for this. Last year's Geneva accords, of which the Soviet Union and the US were guarantors, did not serve the purpose of a peaceful solution by implicitly permitting the superpowers to continue arming their respective clients in the conflict.

Of course it is unreasonable to expect perfect peace, any more than perfect democracy, in a country where tribal war-

fare has long been part of the traditional way of life. Whatever government is in power in Kabul, it is unlikely to have full control of all the countryside. But that does not mean the world should reconcile itself to seeing Afghanistan partitioned between two or three rival governments, each supported by an outside power.

National unity

The Soviet Union has recently been pleading for a government of national unity, the composition of which should be negotiated by all parties. It is understandable that the resistance should feel the Soviet Union has no credentials to make such a request and that the Communists power are collaborators with no right to any role in the new order. If the resistance were united and in a position to win a quick and orderly military victory, it would have a good moral and political case for doing so.

The US has been too slow to recognise that Pakistan's preference in this matter were not dictated primarily by considerations of military efficiency, but by the desire to avoid the emergence in Kabul of a strong Pushtun leadership which might support separatist demands for "Pushtunistan" on the Pakistani side of the border.

As long as the first priority was to drive out the Soviet invaders, the West had some excuse for going along with Pakistan's policy, since it was the necessary conduit for Western aid. But the moment has surely come for the West to insist that Pakistan allow the creation of a broad-based government, in which the Pushtun tribes that had always been the backbone of the Afghan state will be given their due weight.

Priority for tax reform

IN A PARALLEL universe, another Chancellor of the Exchequer has been preparing his budget speech. Using a hyperspatial channel of information about our UK, the parallel Treasury is developing an audacious proposal for reform of the hitherto unified system of income tax. A disgruntled civil servant has, however, leaked an important internal memorandum on the subject.

In 1988-89 our income tax raised the sum of £75bn, up from £68bn in 1979-80. This represents a small real increase over the period, a fact that undermines our claims to being a tax-cutting Government.

Following our counterparts in the parallel universe, we should split our income tax into two components: one to be called "income tax" and the other to be called "national insurance contributions". Your counterparts have gained extraordinary success in this way. Since 1979-80 national insurance contributions have risen almost threefold over there, to £32bn, while income tax receipts have risen by only 63 per cent, to £42bn.

Contributory principle

"The justification advanced for this form of taxation will be the contributory principle. Contributions will be deemed to go to the National Insurance Fund, from which are paid retirement pensions, sickness, invalidity and unemployment benefits. Your counterpart takes great pride in having

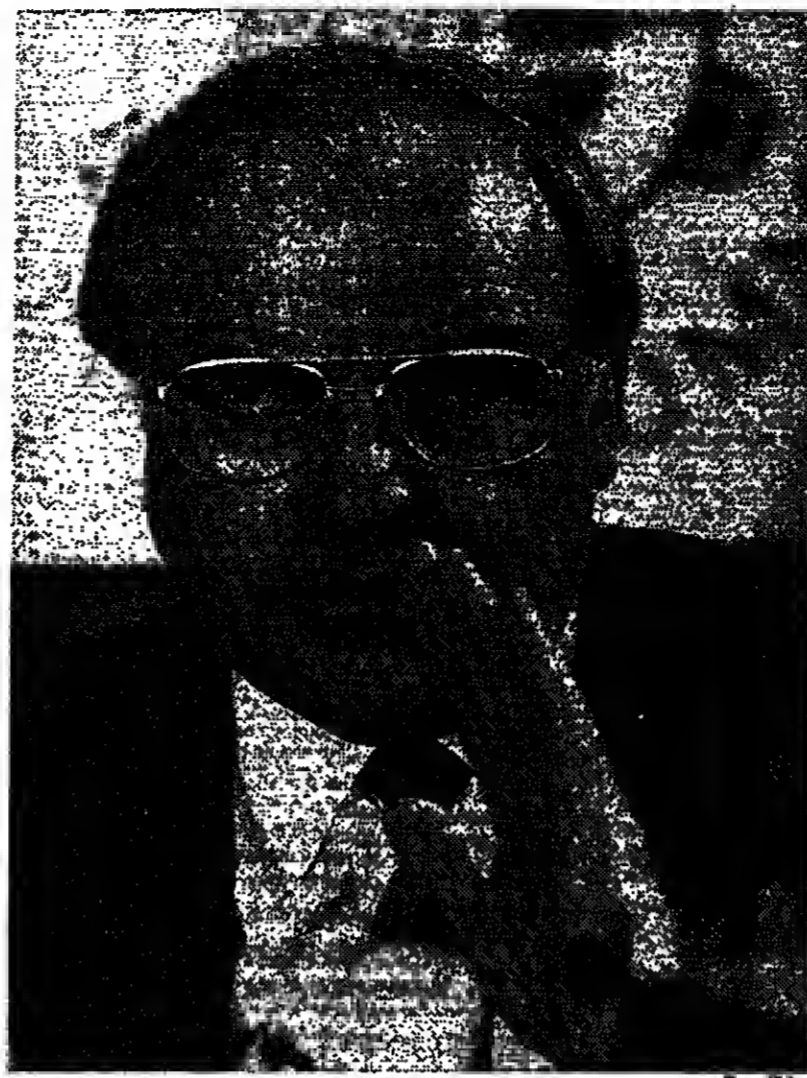
reduced the Treasury contribution to the fund to 5 per cent of its revenues. "The justification is, of course, bogus. National insurance contributions meet the criterion advanced by Mr Richard Iremonger, the Director of the US Office of Management and Budget: if it looks like a duck and quacks like a duck, it is a duck. National insurance contributions will not be related actuarially to benefits, but will be a form of hypothecated revenue. There will not even be a pretence of a contributory relationship in the case of employers' contributions, which are to be subject to no upper limit on earnings. In short, national insurance contributions quack loudly.

Indexed to inflation

"But the contributory principle can be used to justify an overall income tax that will become markedly less progressive with time. One reason in the parallel universe is that state pensions have been indexed to inflation, while the upper earnings limit for employees' national insurance contributions is related to the state pension. Consequently, that limit has been falling, from 43 per cent above average earnings in 1981 to only 24 per cent above it today.

"In addition, at the lower limit of national insurance contributions (at an income of £41 per week) and at the subsequent steps in the schedule (at £70 and £105 a week) the higher rates will be applicable to all earnings below that level. Consequently, the marginal rate of national insurance contribution will exceed 100 per cent at those points. The parallel Institute of Fiscal Studies has shown that bunching in the earnings distribution has been the result. We have been unable to discover any reason for these peculiarities, but presume there is one."

Helmut Kohl, the West German Chancellor, intends to steam like a heavy-hulled Rhine barge through Bonn's political shoals. After his latest election upset in West Berlin, squabbling in the government coalition and an international row over involvement of German companies in Libya's suspected chemical weapons factory, less self-confident men than Mr Kohl might be looking beleaguered. In fact, after being at the helm in Bonn for more than six years, he is responding to his difficulties by stoking up the governmental engines and plunging on.



Helmut Kohl: confident of election victory next year

During a combative two-hour interview in the Chancellery this week, Mr Kohl went on the attack by calling for full exposure of other countries' involvement in construction of the Libyan plant. "If there are German firms involved, we will prosecute them with the full force of the law. And should there be American firms involved, or others, then the consequences should also be clear.

He brushed aside his Christian Democrats' setback in the Berlin poll at the end of last month - the latest in a string of regional election reverses over the past two years - as partly a reaction to "necessary cuts and sacrifices" the Government is trying to push through in vital areas like health spending. "What I have to do is to continue this policy with great decisiveness and staying power."

The Chancellor resents assertions that West Germany is becoming an unreliable Nato partner

He made clear that Bonn will not be pushed into any early decision on new short-range nuclear missiles which the US and Britain want stationed in West Germany from the mid-1990s. Over the hotly debated "modernisation" of the Lance nuclear missiles, Mr Kohl says: "The real decision over the production (of any Lance successor) will be in 1991-92. Only then will the question of the ageing of Lance really come up for discussion."

This will be discussed at the Nato summit to London to the early summer. "I expect from our Nato partners that in a sensible conversation and I have no doubt we will reach that - we will come to a common solution. The most stupid thing we could do would be to play ourselves off against each other. Then the Soviet Union would be winners. I want a common position. I will not allow anyone to doubt our will. Absolutely nobody."

The Chancellor deeply resents assertions elsewhere - particularly in the US after the Libyan affair - that the Federal Republic is becoming an unreliable partner in Nato, increas-

ingly tempted by its ties to the East. "I stick to my position over the unity of the (German) nation. But the Federal Republic is part of the Western world. I said this to Gorbachev: there is no price at which we could be, so to speak, bought out."

His underlying message for the West is that the rest of Nato and the European Community will have to accept a stronger and more assertive Federal Republic that will no longer allow itself to suffer a subtle form of international discrimination because of the East. Kohl is emphatic about the growing polarisation of German politics between left and right, he delivers an unspoken warning. If Hel-

A bunch of losers

The trouble with the British water industry is that it is so divided. It has strong or bullying figures like Sir Denis Rooker of British Gas, Lord Marshall of the CEBG, or Lord King of British Airways capable of taking on ministers and officials in political infighting, and winning.

"United we stand, divided we fall... it is too often the latter," says one of the industry chiefs. So Nicholas Ridley, the Environment Secretary, can do more or less what he likes.

Notwithstanding

The casual reader of newspapers may be forgiven for thinking that withholding tax is some continental disease about to be inflicted on British savers by bureaucrats in Brussels.

mut Kohl and the CDU should fail, the West could find the alternative of a left-wing government very much more difficult to deal with. Mr Kohl says he has "not the slightest doubt" that his centre-right coalition will win the next general election at the end of 1990. He says left-wing elements taking a neutralist anti-Nato stance among the Social Democratic Party and the Greens "are not capable of achieving a majority." But, in areas like defence, he warns the West: "They want a different republic."

On the other hand, he tends to be very defensive and thin-skinned. Many years of being the butt of the left-leaning parts of the German media have taught him to sense a barb in a question when none may be there. More than half a dozen times during our conversation, he retorted in one form or another that he did not need lessons in how to govern.

Man's world

There have been too many men in Observer this week. It is not deliberate. We try quite hard to be balanced. But of all the appointments we write about, nearly every one seems to go to a man. Even the Bruges Group appears male-dominated, despite its spiritual leader.

But of course

Sign in a West Midlands Athletics Club: "A three minute mile is only a matter of time."

say that we cannot go on like this... We are the No 1 exporting country in the world and we will only be able to export if we continue to provide first class goods at sensible prices.

One of Mr Kohl's most pugna-tiously expressed points is that the rest of the world does not understand the problems of trying to run a divided country with a proportional voting system, a liking for complex coalitions, high conscription and 900,000 troops (West German and Nato) stationed on a territory only 230 kilometres wide.

Mr Kohl declares that Article 16 of the constitution, laying down the right to asylum in West Germany of those who are politically, racially or religiously persecuted, will not be changed. "This is the result of the experience of the Nazi barbarities." But he adds that, over the long run, "it is not tolerable politically" that the asylum laws should be misused by many thousands of "economic refugees" from the Third World.

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lead, one day and in some form to unity with the East, he says. Over Libya, Mr Kohl says the Federal Republic "will have to change our laws very quickly. We will need to sharpen our laws... so that no German citizen in any part of the world can be involved in the production of chemical weapons."

Mr Kohl obviously likes power and says he enjoys the sense of duty - "I feel that you try to do the right thing." He claims he would not have difficulty filling his time if he were out of office. And he is honest enough to admit to some errors. Over the past six years he says he would have tackled "totally differently" the question of winning acceptance for his policies.

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POLITICS TODAY

State planning fights back

By Joe Rogaly



When it comes to transport, Mrs Margaret Thatcher is beginning to look more like Mrs Barbara Castle every day.

Like who? Mrs Castle was Britain's Minister of Transport more than 20 years ago. Civil servants still remember her as a pillar of the Labour Left, a planner whose purposeful finger pointed to maps. Surely Mrs Thatcher, the apostle of free markets, is not becoming like that?

She is and she isn't. Mrs Castle's notions are not discussed in polite society. She used the favourite 1980s phrase, "an integrated transport policy", and meant it. Mrs Thatcher decided some time last year that transport was "a pet that must be grasped". This means that the central government must make strategic decisions about roads and railways, and well, er, integrate them.

There are important differences. Mrs Castle started with her perception of social need. Mrs Thatcher starts with a realisation that growth will be held back if there is no efficient infrastructure. Mrs Castle assumed that the planning decisions she fought for in the Labour Cabinet would be financed by the taxpayers. Mrs Thatcher assumes that the plans she expects her Ministers to make will as far as possible be carried out by private businesses, using their own money (although she has to accept that taxpayers will continue to provide most of the capital).

The acceptance of central accountability for road and rail transport is a major change. As recently as a year ago transport was low on the list of Thatcherite priorities. Education was to be the triumph of 1984 (perhaps it was) and health the victory of 1989 (we shall see), but few people were talking about transport.

The change began when a member of the Downing Street staff prepared a paper on the privatisation of British Rail. This was leaked, with the consequence that public opinion was softened up for the announcement made by the Transport Secretary, Mr Paul Channon, at the Conservative party conference last autumn.

Meanwhile traffic jams and crowded commuter trains were causing Conservative voters to grumble. The Government needed to be seen to be doing something. At about the same time the Prime Minister's speech on the paper showing the likely effect of the Channel Tunnel on British industry. This indicates that if the road and rail networks that head down from Glasgow, Manchester, Liverpool, and the Midlands are left as

they are, the South East will get all the business and the rest of the country will become a declining hinterland. Investment in road and rail should be tailored accordingly. Surely, it was argued, ministers and officials ought to stop thinking "transport" and start thinking "infrastructure". It is my understanding that Mrs Thatcher and, by extension, Mr Channon, have bought this. They have a natural ally in the Department of Industry under Lord Young.

Mrs Thatcher, Mr Channon and Lord Young would doubtless not accept the way I have put it. Tory ministers prefer to dwell on the extension of private enterprise. National Bus, National Freight, British Airways, BAA, have all been privatised. BR's time will come. The Channel Tunnel is privately financed. There will soon be a green paper on the private funding of roads. In recent speeches Mr Channon has insisted that the Government does not believe that the provision of roads, railways, ports and airports is a state monopoly. Mr Michael Portillo, his promising junior at Transport, said on January 26: "We believe in allowing market forces to shape the provision of transport infrastructure and services."

Wait a minute. Mr Portillo also said something else. The fact is, he went on, "that the Government is immensely involved in large areas of transport provision, and so whilst we wish to move towards the greater emergence of market forces, we are some long distance from their unfiltered operation." In truth, this Thatcherite hands-off, free-market administration runs virtually all Britain's railways, London's subway and buses, and even London's traffic lights. It still builds all the trunk roads. It may not have a "Grand Plan", to use Mr Portillo's phrase, but planning is what it does. Its decisions will even help determine whether London will develop in an eastwards or a westwards direction. US conservatives might be shocked, but French planners would see no mystery in this.

Some Department of Transport officials are puzzled. From 1979 until 1988 they were told that words like "planning" and "integrated" could not be uttered, and especially not in the same sentence. Now, whatever the words, the sentiment has changed. However, the political masters put it is that state finance must be provided to build the infrastructure that the market would provide if the market was there to do the job. Sometimes the Government's ideas are almost pure

Barbara Castle, as with proposals to build new railway tunnels under London. These will probably cost around £100m a mile. No honest business plan would justify an unsubsidised private investment. In the end some general taxpayers' money will probably have to be provided.

Even when the Government brings in private capital, as in the scheme to increase the capacity of the Docklands Light Railway, someone in a Whitehall department has to prepare policies, make drawings, submit proposals to ministers, perhaps let the case go to a Cabinet committee. The frontiers of the state are easier to roll back in rhetoric than in reality.

All of this has enhanced the role of Mr Channon. The Transport secretary and his opposition shadow, Mr John Prescott, have recently been

brought into the headlines as a result of a series of transport disasters. The awful list is well-known. It includes the bomb that brought down the Boeing at Lockerbie, the subsequent airline crash on the M1 motorway, and the rail tragedy at Clapham. Yet even if none of these had taken place, the political spotlight would have been on transport this year.

There is some irony in this. Mr Channon does not usually score highly in the generally meaningless "who's up, who's down" gossip that so preoccupies many politicians. He is now being given a chance to show how far he can be stretched. The series of disasters has come at the same time as the emergence of a strong prime ministerial will to ensure that her transport strategies are pushed ahead. She also has a political need to be seen to be tackling congestion.

Mr Prescott reminded her of this in the House of Commons on Tuesday. "When the Prime Minister said that she intended to put Britain back on its feet," he said, "I did not know that she meant that we would be walking, because that was faster than using public transport in the inner cities." The Labour spokesman has made good use of a portfolio allocated to him last year because it was hoped that he might vanish into it.

He would do better still if he had the wit to attack the Conservatives from the Right. This is where they are vulnerable, especially when it comes to transport policy. For the Government's Achilles heel is road pricing.

Let me explain. There will be no level playing field between road and rail until both have the same financial structure. Railway users pay separately

for each journey. The fare is supposed to cover all BR's costs. Road users pay no tolls. They do pay for a licence to use the road, and they pay a petrol tax. This more than covers the cost of providing roads. It is not, however, an efficient pricing mechanism.

Tolls would do the trick. Yet there is a huge and understandable reluctance to erect toll booths for all of Britain's major roads. Even if this were to be done, minor roads would still be free at the point of use. We may soon see proposals for tolls for new privately-built roads, as is now the case for privately-financed bridges, but there appears to be no plan around for a general programme to build toll booths.

Technology could come to the rescue. It would be possible to put meters on private cars. In a famous experiment in Hong Kong these were read by roadside scanners. The drawback was that the police would then be able to tell where everyone had been. Meters need not do that. They could be fed by smart credit cards, just like Britain's new telephone cards. Licensees could use the meters and the scanners will let you pass. Only when the meter is empty would you be billed, or turned back.

It has been calculated on the back of a 10 Downing Street envelope that if motorway users were charged an average of 10p per mile to feed their in-car meters, the revenue thus collected would about equal what is now collected in vehicle licence fees. The political trade-off is obvious: cut or abolish the licence fee in turn for a per-mile user charge. Petrol tax would remain as a revenue collector, or a lever to control the demand for environmentally undesirable gasoline. The 10p could be introduced as 1p, which would cover road upkeep, and increased when new construction programmes were announced. It could be varied by place, and time of travel. It would be a proper, flexible, road-pricing mechanism.

All this is intellectually attractive in Downing Street, but I doubt if they have the guts to do it. They talk it down at Transport. They might try an inside-London experiment, perhaps with special licence discs to enter the City, but they fear the wrath of motorists too much to go ahead with full per-mile charging. Yet it will happen eventually, either as a result of an environmentally-based rejection of juggernauts, or as a result of rationing inner-city road usage, or a combination of these. If Mrs Castle were in Mr Prescott's shoes today she would see the opportunity, and seize it.

LOMBARD

Hot air and bad managers

By John Plender

WATCHING the accountancy profession digging yet another hole for itself is one of the more entertaining spectator sports in the world of business. A big thank you, then, to all those who have contributed so generously to the debate on the valuation of goodwill. And let no one accuse the fourth estate of failing to do its bit. What follows is an unashamed attempt to stir the pot.

It would, of course, be inappropriate for journalists to attack those businessmen who have chosen to recognise the value of goodwill in their balance sheets. Newspaper management has not been slow to put substantial values on its own titles; and it has to be acknowledged that companies would not spend huge sums promoting brands, buying customers or acquiring successful service industry operations, if goodwill were so much hot air. The problem is simply that the people who have been busy revaluing intangible assets have done so on a selective basis; the valuations have often been laughably devoid of either logic or theoretical justification; and the auditors, as usual, have obligingly done what they were told. Equally important, the rush to revalue has excluded intangible liabilities - like, for example, the present value of the future cost to the business of ongoing abysmal management.

To those brought up on orthodox accounting this may sound a mite paradoxical. The textbooks refer to superior management as a component of goodwill, but have nothing to say about the negative goodwill arising from poor management. Yet it clearly exists. If the acquisition merchants like Lord Hanson are to be believed, much of the enhanced value extracted from target companies in hostile takeovers comes simply from removing incumbent top management. Ask any manager at just below top level what is most frustrating about the job and the invariable response is that top management consistently fails to implement changes whose need is blindingly obvious. Both positive and negative goodwill are clearly visible in some recent corporate caudexes. There is no doubt at all that goodwill attaches to the Burger King and Green Giant names owned by the US food concern Pillsbury. But the reason that Grand Metropolitan was able to snap up Pillsbury with remarkably little ado in a contested situation was that a great deal of bad will attached to the existing management in the eyes of investors.

Similarly, few would dispute that there is real goodwill in the employment agency businesses of Blue Arrow. But its shareholders might well feel that former Blue Arrow chief Tony Berry brought plenty of negative goodwill to the troubled group.

LETTERS

Tax linked with growth

From Mr John Redwood MP. Sir, Mr John Hills (Letters, February 7) is clever with numbers and with words, but his arguments are most misleading. He now claims that the UK growth rate between 1945 and 1979 was higher than 1979-88, while taxes were also high. He should know that during the period of highest taxation, 1974-79, there was practically no growth, while the early years of his chosen timespan saw rapid recovery from the Second World War - and 13 years of Conservative governments spending considerably less of the national income than governments since 1964.

War against drug traffickers

From the Peruvian Ambassador. Sir, it was refreshing to find in your article, "The Challenge of Drugs" (January 28), recognition of the importance of fighting against drug trafficking in the areas of its demand as well as in the sources of production. The government of President Garcia has been trying, since it took office in 1985, to eradicate this illegal business, in an unequal war with the wealthy and secretive producers who are now allied with the terrorist "Shining Path". This war against vice has to be fought, though, in two fields: production and the consumption - the latter, in my view, being the most effective. Carl Baffo, Peruvian Embassy, 32 Sloane Street, SW1

Storm warning for Kenya's teacup

From Mr Christopher Walton. Sir, None of us who were responsible for the concept and planning of the Kenya Tea Development Authority (KTDA) in 1960 could have imagined the dramatic growth of the country's tea industry, consisting of small farms; it has become the largest tea producer in the world. As you point out ("Bhutto boos Kenyan tea hopes," February 3), its tremendous success has contributed handsomely to Kenya's prosperity and post-independence political stability. Inevitably, its success has created problems, one of which - the danger that one day the government would lay the goose that lays the golden egg - is well documented in your article. Alas, it has happened too often before. The other danger - that one day the principal aid agencies would withhold their financial support and walk away from KTDA - was entirely unforeseen. I will not dwell on the first, except to express the fervent

RSI stands for uncertainty

From Mr J.G. Mohr. Sir, As the trade union with the largest number of repetitive strain injury (RSI) damage claims approaching court hearings, may I comment on your article "The Hidden Strain of Computer Keyboards" (January 19)? We experienced a rash of such cases between 1983 and 1988 during intensive keyboard operations at British Telecom units in Cardiff and Swindon, with all the symptoms you describe. Though the financial claims are very modest, these cases have unfortunately become the subject of drawn-out litigation because of uncertainties in the law of negligence as to who is to blame. British Telecom refuses to compensate our members for their injuries despite, in our opinion, a clear connection between their intensive keying duties and their tenosynovitis diseases. Obviously I do not wish to give further details at this stage. Rightly, your article also refers to the "uncertainty in the medical profession about the exact cause of repetitive strain injuries." However, there is usually sufficient evidence in these cases for the lay manager to accept some con-

Aloof from the EMS

From Mr W. Grey. Sir, So one of the latest of the Prime Minister's rooted objections to the European Monetary System (EMS) as shown by "the forced response in other EMS countries to the recent rise in West German interest rates." That response was not confined to EMS countries; Austria and Switzerland followed suit. And had not the UK stolen a march on its European neighbours on that score which still, to its cost, leaves that "inflexible" field trailing? In marked contrast, a recent European survey (FT report, January 19) found a majority of business leaders already favouring the next step of European monetary union, including a single central bank running a single currency. Where will the UK, and in particular the City of London, stand then? W. Grey, 12 Ardley Road, Finchley, N3

Iran Air advertisement featuring a large image of an airplane in flight. Text includes: "Iran Air... crafted with patience and care", "Iran's priceless art treasures are the result of meticulous craftsmanship and utmost care.", "A new tradition of care", and contact information for Iran Air.

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FINANCIAL TIMES

Friday February 10 1989

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NELSON BAKEWELL CHARTERED SURVEYORS

Baker prepares team to take on world

The Secretary of State is choosing his staff with caution, reports Lionel Barber

WEARING a flak jacket and cowboy boots. Mr James Baker sat propped up against a persimmon tree in South Texas reading his classified State Department briefing book.



James Baker: Displayed preference for political deal making with Congress rather than talent spotting in the Foreign Service

Career diplomats at the State Department have fast discovered that life with James Addison Baker III is going to be a deal different from the low-key, even cosy, relationship they enjoyed with Mr George Shultz.

Mr Baker, a former White House chief of staff and Treasury Secretary in the Reagan Administration, seems wary of his new colleagues: "This is one department, I'm told, that tends to capture you if you're not careful. I hope to be very careful. I want to be the President's man at the State Department."

Republicans and liberal Democrats. Mr Charles William Maynes, editor of Foreign Policy magazine, believes Mr Baker has missed opportunities in choosing staff in the posts of economic and political affairs.

Dr Kissinger. Dr K's network extends further through the foreign policy apparatus to Mr Peter Rodman, who served President Reagan and shares Mr Eagleburger's and Mr Scowcroft's skill at speaking Serbo-Croat. But the analogy need not go too far. "It is the Kissinger flavour, with out the flamboyance," says Mr Michael Krepon, an arms control expert at the Washington-based Carnegie Institute.

with Mr Bush makes him secure as Secretary of State. Indeed, he praises Mr Baker's agreement - in contrast to Mr Shultz - to sit as a member of a White House foreign policy committee chaired by the National Security adviser.

Outflow prompted by fear of tax changes

Trust assets flood out of Britain

By Richard Waters in London

ASSETS worth millions of pounds and held in trust in the UK have been flowing out of the country this week in an effort to avoid capital gains tax.

Some tax advisers suggested the Government would act immediately the rumour emerged, rather than wait until the end of the week when assets had already been safely moved abroad.

Establishing an offshore trust is expensive and there is a further annual running cost of about \$5,000. This means that offshore arrangements are worthwhile only for those planning to escape large amounts of capital gains tax.

about the prospects for overseas trusts since the summer when Mr Norman Lamont, Financial Secretary to the Treasury, announced a government review of how trusts were taxed.

Decision on Tower unlikely for two weeks

By Peter Riddell and Lionel Barber in Washington

THE FATE of Mr John Tower's nomination as US Defence Secretary is unlikely to be resolved for two weeks, amid backbiting and reservations among Republicans as well as increasing criticism among Democrats.

The earliest the Senate Armed Forces Committee can vote on the nomination is February 21. The Senate is in recess next week.

Ministers back UN peace force in Central America

By Tim Coone in Managua

CENTRAL American foreign ministers have agreed to support the establishment of a UN observer force in each of the five Central American countries.

Agreement at foreign minister level on establishing a UN observer force is thus a significant step forward because several countries have until now been reluctant to accept such a proposal.

Indian microchip industry hit by factory blaze

By David Housego in New Delhi

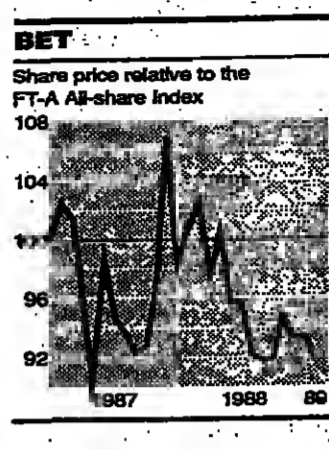
INDIAN ambitions to develop a capability in microelectronics suffered a setback yesterday after fire destroyed the country's only semiconductor plant making large-scale integrated circuits (ICs).

The plant, however, had become a source of dispute because its output of customised chips was negligible beside the heavy foreign exchange investment it had made.

THE LENC COLUMN

A warning shot for Mr Lawson

The objectives of a cautious central bank and an ambitious Chancellor with half an eye on the post of Foreign Secretary are so dissimilar that the warnings issued by the Bank yesterday should not be taken too seriously by the market.



chased goodwill of £750m. The result is balance sheet gearing of over 40 per cent, ludicrously at odds with interest cover of 11 times.

On neither count is the Bank likely to get much of a hearing at the other end of a town - which is a pity. Indeed, had the Chancellor adopted a more cautious line this time last year, the present inflationary peril might be considerably less severe.

companies anyway, rather than the individual consumer who is the Chancellor's main target.

Ericsson The 66 per cent increase in Ericsson's profits shows that its decision last year to get out of data processing was almost as wise as its initial decision to get in was foolish.

Car sales

As the Bank of England could attest, there are still plenty of consumers out there treating interest rates as a side issue.

Car sales The Bank of England could attest, there are still plenty of consumers out there treating interest rates as a side issue.

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WORLD WEATHER

Table with columns for location, temperature, and weather conditions for various global cities.

UK leveraged finance

Continued from Page 1

unlike ICG it will not originate deals. The challenge facing ICG is to expand the mezzanine market, which is the smallest component of leveraged finance.

Transportation Secretary

Samuel Skinner, who will lead a US delegation to the special session of the Council of the International Civil Aviation Organisation next week, had announced on Tuesday that Mr McArthur would be replaced.

The new Secretary of Transportation said he had "one or two" good candidates for the FAA post but would not say whom he might recommend.

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FINANCIAL TIMES
COMPANIES & MARKETS

Friday February 10 1989

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INSIDE

Texas settles a beef with Europe

TEXAN beef producers believe they will be able to export their meat to the European Community despite the ban on hormone-treated imports...

culture on a system for certifying meat as hormone-free, and the US Department of Agriculture is now co-operating with the plain.

Rension plays down dangers of Gold Fields bid fallout

RENSION Goldfields Consolidated, the 48 per cent-owned Australian arm of Consolidated Gold Fields of the UK, has announced a 68 per cent jump in interim profits to a record A\$35.5m...

Bearing fruit in the EC

PALESTINIAN farm produce exports to the European Community have got off to a shaky start...

European turnover still in the grip of New Year celebrations

THE NEW year inspired a burst of activity in Europe's equity markets. The most vigorous were the Netherlands and West Germany...

Picture of profitability

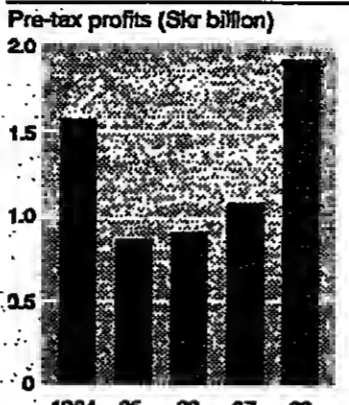
WARNER Communications, which last month acquired Lorimar Telepictures for \$1.5bn...

Ericsson boosts profits by 66%

By Robert Taylor in Stockholm

ERICSSON, the major Swedish telecommunications equipment group, boosted its profits before appropriations and taxes by 66 per cent last year...

Ericsson



Orders rose by 7 per cent last year from SKr23.405bn to SKr24.68bn, although net sales fell by 3 per cent from SKr23.4bn to SKr22.3bn.

ERICSSON is convinced that its earnings and profitability will go on rising through this year and 1990 - an optimism shared by independent analysts.

Mr Svedberg reported that all business areas of the company, except defence systems, achieved a better performance last year compared with 1987.

Ericsson has won substantial orders in recent months, particularly for its AXE switching system, but also for mobile telephones and the MD 110 private branch exchanges.

AT&T and Stet to discuss share link

By Alan Friedman in Milan

AMERICAN TELEPHONE & TELEGRAPH (AT&T) is to begin technical and financial negotiations aimed at forging an international partnership...

This formal approval from IRI was the final hurdle to be cleared and came 48 hours after Stet's board recommended choosing AT&T after deliberating among four competing offers.

Professor Romano Prodi, chairman of IRI, said last night that he was satisfied at the decision to go ahead, which he stressed was taken unanimously.

For once, therefore, a major decision by the state industry group was agreed without any conflict between Socialist and Christian Democrat members of the IRI executive committee.

It has been learnt, meanwhile, that the technical talks will include financial valuations which are likely to lead to shareholding ties.

AT&T, in turn, is expected to negotiate the purchase of a shareholding in Italtel, the state-owned telecommunications venture formed in 1984 by AT&T and Philips of the Netherlands.

Pearson boosts Elsevier holding in £78m deal

By Raymond Snoddy in London

PEARSON, the publishing, banking and oil services group, yesterday strengthened its growing relationship with Elsevier, the Dutch publisher...

Mr Maxwell has already disposed of assets worth \$1m in recent months and said last week he intended to dispose of another \$1m worth of companies to reduce his borrowings following the acquisition of Macmillan, the US publishing company.

NMB and Postbank set to merge

By Laura Ravn in Amsterdam

NMB BANK, The Netherlands' fourth-largest bank, and Postbank, the Dutch state-owned bank, are expected shortly to announce plans to merge...

The first significant project however is likely to be a joint venture in financial newspaper publishing in The Netherlands. This will take the form of either acquiring an existing financial newspaper or starting a new one.

BET plans \$500m US preference issue

By Nikki Tait in London

BET, the UK-based support services group, plans to issue up to \$500m of new variable dividend preference shares in the US.

BET's dollar-denominated, cumulative redeemable preference shares will trade at their issue price, and carry variable dividend rates which are paid and reset every 28 days through an auction process.

Instead, via the current route, BET maintains that its equity will be boosted and its gearing reduced. The new shares will have a nominal value of \$1,000 but probably be issued at \$100,000, enlarging shareholders' funds by \$89,000 for each share issued.

However, yesterday some analysts were more sceptical about the benefits. "Having spoken to a few institutions," said one, "I think they may view the preference shares as debt rather than equity."

BET currently has net debt of over \$300m, against shareholders' funds of about \$500m. However, over the past five years, it has written off about \$750m of goodwill and says that goodwill accounts, on average, for about 80 per cent of acquisition considerations.

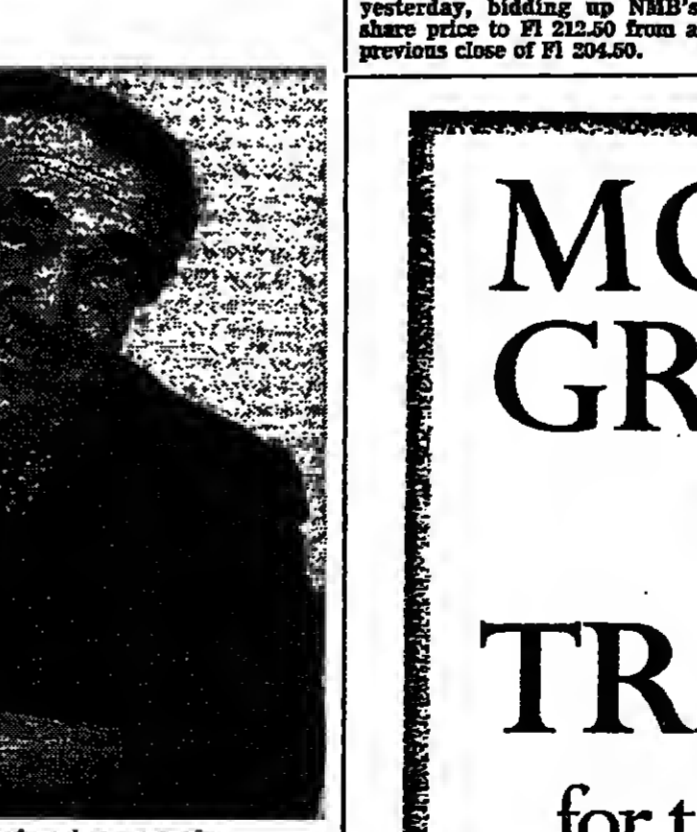
Maxwell buys Thomas Cook in US and aids former UK unit

By Andrew Hill in London

MR ROBERT MAXWELL, the British publisher, yesterday demonstrated he still had a soft spot for engineering, negotiating a complex \$40m (\$69.2m) deal to restore the health of Hollis Industries.

Hollis was a Maxwell subsidiary and the vehicle for the publisher's UK engineering ambitions until it was sold to its management last July.

Robert Maxwell: a soft spot for engineering companies



Robert Maxwell: a soft spot for engineering companies

Separately, Mr Maxwell announced that he had taken up his option to buy Thomas Cook Travel, the fourth largest travel agent in the US, from Dun and Bradstreet for an undisclosed amount.

Mr Maxwell heralded the acquisition last October, when he bought most of the US publisher's Official Airline Guides division for \$75m.

Both purchases have been made through Pergamon Group, a privately-owned subsidiary of the Liechtenstein-based Maxwell Foundation.

The private company will use the Thomas Cook name as part of a worldwide network of travel services, in agreement with Midland Bank, which still owns the UK Thomas Cook Group and sold Thomas Cook Travel to Dun and Bradstreet in 1985.

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Market Statistics table with columns for various market indicators like London share service, London traded options, European options total, FI-A indices, etc.

Companies in this section table listing various companies like Alir India, Alcan Aluminium, Allied Lyons, etc.

Chief price changes yesterday table listing price changes for various companies and indices like FTSE 100, Nikkei, etc.

London (Pence) table listing price changes for various stocks like AAN, Abbott, etc.

INTERNATIONAL COMPANIES AND FINANCE

Sears gains despite retail pressure

By James Buchan in New York

SEARS ROEBUCK, the world's largest retailer which is attempting to reshape its immense department store and mail order businesses, yesterday reported an 11 per cent gain in its net income before special charges in the fourth quarter, despite continued pressure on profits in retailing.

Sterling adds to Kodak rise

By James Buchan

EASTMAN KODAK, the world's largest maker of photographic products, reported a striking gain in sales and earnings in the three months to December. Much of the increase came from its new Sterling Drug pharmaceuticals business but sales and profits from traditional film and chemicals also advanced strongly, both at home and abroad.

Warner records strong growth

By Karen Zagor in New York

WARNER Communications, which last month acquired Lorimar Telepictures for \$1.2bn, yesterday reported strong annual and fourth-quarter profits. Revenues from its film, music and cable and broadcasting divisions all posted record highs, although the group's publishing division saw earnings fall.

TRW sees progress in all units

By Our Financial Staff

TRW, the US vehicle parts and electronic systems group, expects improved performance from all three of its core businesses after an earnings increase at the year-end. The group, which has been restructuring, lifted full-year net income to \$361m, or \$1.23 per diluted share, up from \$243m, or \$3.95 in 1987. Revenues rose to \$6.98bn from \$6.82bn.

Colgate earnings almost double

By James Buchan

COLGATE-PALMOLIVE, the US household products group, yesterday reported a near doubling in fourth-quarter earnings from its basic businesses, thanks largely to strong performance in its overseas personal products operations and good sales of pet food.

The company also sold its health-care subsidiary last autumn, cutting out nearly \$80m in annual earnings but adding a capital gain of \$125m.

In its household and personal products business, sales rose 7 per cent and operating profits by more, thanks to operating efficiencies in Colgate's foreign business. Colgate's domestic operation declined, partly because of new product spending.

Troubled Pan Am 'may be put up for sale or merged'

By Anatole Kalotay in New York

PAN AMERICAN World Airways, the troubled US air carrier which has lost over \$2bn in the past decade, could be put up for sale or merged with another airline, its chairman, Mr Thomas Plaskett, strongly suggested yesterday. Mr Plaskett's statement came one day after Pan Am won a package of valuable work-rule concessions from its biggest union.

Pan Am's total expenses amount to about \$6bn annually. Before the deal with the TWU, which represents 5,700 mechanics and ground staff, Pan Am had concluded agreements with the pilots' and flight attendants' unions. Last February the company imposed a new contract on the Teamsters, who acted for its sales and reservation agents, after the National Mediation Board declared an impasse in the negotiations for a new agreement.

KLM shows modest rise as costs climb by 7%

By Laura Raun in Amsterdam

KLM Royal Dutch Airlines lifted earnings modestly in the third quarter as revenue rose at the same pace as costs. Profits increased 5 per cent to Fl 60.8m (\$28.5m) or Fl 1.15 a share in the quarter, from Fl 57.6m or Fl 1.14 a share a year earlier.

costs also rose 7 per cent as a decline in fuel failed to offset increases in materials, overheads and salaries. Operating income advanced 5 per cent to Fl 62.2m. Book profits on aircraft sales jumped to Fl 8.9m from Fl 5.3m.

NWA ahead as aircraft ordered

By Our Financial Staff

NWA, which owns Northwest Airlines, yesterday reported stronger than expected fourth-quarter earnings. It also ordered 10 Airbus A-330 airliners, valued at \$98m each. NWA said fourth-quarter net income jumped to \$34m or \$1.16 a share from \$21,000 a year ago on sales which were static at \$29m. The stock gained 4% to \$64 after rising as high as \$65, near its 52-week high of \$67.

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Notice of Redemption to the holders of

International Standard Electric Corporation 12% Sinking Fund Bonds Due 1996

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Indenture dated 15th March, 1984 (the "Indenture"), between International Standard Electric Corporation and Bankers Trust Company, Trustee, that \$9,780,000 principal amount has been selected by the Trustee for Redemption on 15th March, 1989 at the principal amount thereof in accordance with the Sinking Fund provided for in Section 3.06 of the Indenture.

The following are the serial numbers of the Bonds which will be redeemed in whole:

Table listing serial numbers of bonds to be redeemed. Each row contains 20 serial numbers. The list includes numbers such as 1-176, 1-182, 1-183, etc., up to 1-278.

(Continued on the following page.)

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(Continued from the preceding page.)

Table of financial data with columns for company names and numerical values.

Accordingly, on 15th March, 1989 the Bonds so designated for redemption will become due. Payment will be made upon presentation and surrender thereof of the above Bonds at one hundred per cent (100%) of the principal amount thereof in United States Dollars, at the option of the holder, subject to any applicable laws or regulations in the country where each of the following offices are located, at the City Offices of Bankers Trust Company in London, at the main office of Bankers Trust Company in Paris, at the office of Bankers Trust GmbH in Frankfurt, at the office of Banque Indosuez Belgique Brussels, (formerly Banque du Benelux S.A. Brussels), at the office of Banque Générale du Luxembourg S.A. in Luxembourg or at the office of Swiss Bank Corporation Basel.

International Standard Electric Corporation
By Bankers Trust Company, Trustee.

INTERNATIONAL COMPANIES AND FINANCE

Inability to meet demand holds back Telefonica rise

By Peter Bruce in Madrid
TELEFONICA, the widely-quoted Spanish telecommunications monopoly, yesterday reported a Ptas61.52bn (862m) net profit for last year, a 15.5 per cent increase on 1987 which is relatively modest and reflects the problems the company has been having meeting demand for telephone lines.

Privatbanken slices dividend

By Hilary Barnes in Copenhagen
PRIVATBANKEN, one of Denmark's big three commercial banks, is cutting its dividend from 15 to 10 per cent, despite an increase in pre-tax profits from DKr298m to DKr389m (\$129m) for 1988. Net profits increased from DKr228m to DKr281m.

Half-year sales at MAN show 14% gain

MAN, the West German engineering group, expects profits to rise in fiscal 1989 after sales in the first six months rose 14 per cent to DM5.02bn (\$3.75bn), from DM4.17bn in the previous year, AP-DJ reports from Frankfurt.

Strong demand and price increases boost Hoboken

By Our Financial Staff
HOBOKEN, the Belgian refiner of non-ferrous metals and the largest copper producer in Europe, recorded a 15 per cent increase in net profit in fiscal 1988 on strong demand and a rise in price for its products.

Banks link in Turkey to bolster tourism

By Jim Bodgener in Ankara
TURKEY'S state-owned Turizm Bankasi has been merged with the larger Turkis Development Bank as part of the Turkish Government's programme to rationalise and streamline its state banking sector.

Euroc records 76% surge in income after restructuring

By Sara Webb in Stockholm
EUROC, the Swedish building materials, engineering and trading group, yesterday reported a 76 per cent surge in profits for 1988 helped by its restructuring and strong demand in the building sector for its products.

Hoechst disputes value of Celanese Canada shares

By Robert Gibbons in Montreal
TWO LARGE Canadian investment firms have told institutional investors that Celanese Canada's publicly-held minority shares are worth more than the C\$5 per share being offered by Hoechst, the West German chemicals giant which is the majority owner.

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INTERNATIONAL CAPITAL MARKETS

Nationwide Anglia makes £50m index-linked issue

By Norma Cohen

NATIONWIDE Anglia, the UK's third largest building society, yesterday issued a £50m index-linked bond due 2024 in the domestic market...

payable at launch, with the remainder to be paid in six months. The UK Treasury's failure to issue new stock since it began running budget surpluses has enabled private-sector borrowers to tap this specialised pool of investors.

ing. He added the building society's previous two issues had been used to provide funds for local housing associations of tenants who had purchased their council estates.

Directors at NZ finance group call in receiver

By Del Hayward in Wellington

ANOTHER New Zealand investment banking company, Guthrie Financial Corporation, has been placed in receivership at the directors' request.

Austria eases exchange control

By Judy Dempsey in Vienna

THE AUSTRIAN National Bank seems set on heading down the path of deregulation and liberalisation following recently introduced measures aimed at lifting several exchange controls.

that Austrian residents will be able to invest abroad without the prior consent of the central bank. Residents will be free to buy insurance policies from foreign insurers for lump-sum premiums and invest in property outside the country.

increased from Sch50,000 to Sch100,000 (77,883). Although Austrians trying to tap the foreign bond market and vice versa still require permission under current legislation, Viennese bankers say the central bank is planning more liberalisation which should phase out the requirement of depositing with an Austrian bank any foreign securities purchased by residents.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Bond Name, Issued, Bid, Offer, Day, Week, Yield, and other financial metrics. Includes sections for US DOLLAR, DEUTSCHE MARK, and SWISS FRANC.

James Capel lifts stake in French broker

By Our Financial Staff

JAMES CAPEL, the London stockbroker which is part of the Hongkong and Shanghai Banking group, has raised its stake in Dufour Lacarrière Ponget, the French brokerage firm, from 30 per cent to 76 per cent.

Capel said provisions were in place to raise its interest in DLP to 100 per cent by early 1990. The French firm's name will be changed to DLE-James Capel but it will continue to be managed from Paris.

Capel did not disclose how much it had paid for the additional shares. Mr Charles Smedley, Capel's director for Europe, said the additional investment in DLP reflected the growth of Paris as an international financial centre and Capel's commitment to European markets.

He added, however, that DLP would remain primarily a French company serving French clients. Capel purchased its original interest in September 1987.

Banks urged to combat money laundering

THE BELGIAN Banking Commission has asked banks to follow principles drawn up by the Group of Ten to combat "laundering" of money from criminal activities, Reuter reports.

A banking commission spokesman said the authority had written to banking associations asking them to circulate the statement of principles to their members and ensure that they followed them.

The principles, issued early last month, call on banks to determine the true identity of their customers, not to aid transactions which they suspect are connected with money-laundering and to co-operate with law enforcement authorities as far as permitted by local banking secrecy regulations.

NORDIC BANKING

The Financial Times proposes to publish this survey on:

27th February 1989 For a full editorial synopsis and advertisement details, please contact: Chris Schanzenberg on 01-248 8000 ext 3699

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December 14, 1988

INTERNATIONAL CAPITAL MARKETS

GOVERNMENT BONDS

Treasuries fall heavily in the wake of disappointing auction

By Janet Bush in New York and Katharine Campbell in London

TREASURY bonds tumbled yesterday morning in advance of the 30-year bond auction, after the results of Wednesday's 10-year sale disappointed high expectations.

A political storm in Congress about the President's proposal to cut capital gains tax and considerable scepticism about his budget arithmetic.

BENCHMARK GOVERNMENT BONDS table with columns: Coupon, Bid Date, Price, Change, Yield, Week ago, Month ago. Rows include UK GILTS, US TREASURY, JAPAN, GERMANY, FRANCE, CANADA, NETHERLANDS, AUSTRALIA.

A recent study by Paribas outlines the type of strategies suitable in the current environment. One is the "barbell" switch, which entails moving out of medium-term maturities and into a combination of short- and long-term bonds.

The stability of French inflation has helped the long end, unlike in Germany where inflation is creeping up. At present, two-year STANs yield around 6.95 per cent, and the new 30-year bond auctioned for the first time in January yields about 8.95 per cent.

the discount rate has held stable since October. But there is a limit to how long they will hold out.

CBOT reprieve for dual trading

By Deborah Hargreaves in Chicago

IN A REVIEW of its trading procedures, the Chicago Board of Trade has decided to tighten its surveillance on the floor of the futures exchange but not to ban the controversial practice of dual trading, whereby brokers trade for their own accounts as well as filling customer orders.

INTERNATIONAL BONDS

EIB £200m issue makes sluggish start following setback on Wall Street

By Andrew Freeman

AGAINST THE difficult backdrop of a auction of 10-year US Treasury bills, the European Investment Bank (EIB) launched a £200m 10-year issue via Chase Investment Bank.

at lower levels from investors attracted by the yield. The lead manager said there was good European demand from retail accounts and institutions.

and the bonds were trading at less 1.70 bid, inside fees of 1/4 per cent. Wednesday's issue in Switzerland by Kommuninvest 1 Orebro Laen, the Swedish finance company, was trading yesterday at issue price plus 1/4 bid.

of Zen credit at an estimated savings of between 45 and 50 basis points. Two A3-denominated Euro-bond issues had a slow reception.

Hambros Bank was the lead manager for a \$100m five-year deal for the Kingdom of Sweden, while NatWest Capital Markets launched a \$75m one-year bond for Unilever.

Capital Corp which carried a 10 1/2 per cent coupon and was aimed at Continental demand. Both issues were trading on fees, with traders questioning the timing of the deals.

The decision was greeted with relief by traders who rely on trading for themselves when customer orders dry up. However, in a policy reversal that has mystified some traders, the CBOT has said it would look at electronic trading alternatives.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Borrower, Amount m., Coupon %, Maturity, Fees, Bank name. Rows include US DOLLARS, AUSTRALIAN DOLLARS, SWISS FRANCS, YEN.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: Index No., Day's Change, Est. Earnings Yield, Gross Yield, Est. P/E Ratio, Index No., Index No., Index No., Index No. Rows include CAPITAL GOODS, BUILDING MATERIALS, CONTRACTING, etc.

RISES AND FALLS YESTERDAY

British Funds, Domestic and Foreign Bonds, Industrial, Financial and Property, etc.

Table with columns: Issue, Amount Paid, Latest Resub. Date, High, Low, Closing Price. Rows include various stock issues.

LONDON RECENT ISSUES

Equities, Stock, etc.

Table with columns: Issue, Amount Paid, Latest Resub. Date, High, Low, Closing Price. Rows include various stock issues.

RIGHTS OFFERS

Issue, Amount Paid, Latest Resub. Date, High, Low, Closing Price.

Table with columns: Issue, Amount Paid, Latest Resub. Date, High, Low, Closing Price. Rows include various stock issues.

LONDON TRADED OPTIONS

BRITISH PETROLEUM made a late run on the London traded options market yesterday.

Table with columns: Underlying share price was unmoved on balance, at 275p, and there was little net change in open interest on either the call or put side.

FIXED INTEREST

PRICE INDICES, THU FEB 9 1989, DAY'S CHANGE, EST. EARNINGS YIELD, GROSS YIELD, EST. P/E RATIO, INDEX NO., INDEX NO., INDEX NO., INDEX NO.

Table with columns: PRICE INDICES, THU FEB 9 1989, DAY'S CHANGE, EST. EARNINGS YIELD, GROSS YIELD, EST. P/E RATIO, INDEX NO., INDEX NO., INDEX NO., INDEX NO.

TRADITIONAL OPTIONS

First Dealings, Last Dealings, Last Declarations, For settlement.

Table with columns: Issue, Amount Paid, Latest Resub. Date, High, Low, Closing Price.

TRADITIONAL OPTIONS

First Dealings, Last Dealings, Last Declarations, For settlement.

Table with columns: Issue, Amount Paid, Latest Resub. Date, High, Low, Closing Price.

TRADITIONAL OPTIONS

First Dealings, Last Dealings, Last Declarations, For settlement.

Table with columns: Issue, Amount Paid, Latest Resub. Date, High, Low, Closing Price.

TRADITIONAL OPTIONS

First Dealings, Last Dealings, Last Declarations, For settlement.

Table with columns: Issue, Amount Paid, Latest Resub. Date, High, Low, Closing Price.

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## UK COMPANY NEWS

### John Elliott again rules out full bid for the UK company and reaffirms S&N interest MB launches new attack on Elders' tactics

By Maggie Urry in London and Gordon Cramb in Melbourne

MB GROUP last night launched a stinging attack on the tactics of Elders investors in the British company which is currently merging Metalbox Packaging, its packaging activities, with Carand, a French packaging group.

Mr Brian Smith, MB chairman, has written to shareholders saying that Elders had failed to come up with any proposals which could be put to shareholders during three meetings between the two sides.

Countering suggestions from Elders IXL, the Australian brewing-based multinational, that it would lead a consortium to make a cash bid for Metalbox Packaging of not less than £280m, Mr Smith said the company was not for sale.

Yesterday in Melbourne however, Mr John Elliott, chairman of Elders IXL, quashed renewed suggestions that it might move to a full bid for MB Group. He said at a hearing: "We are not trying to build a core business in packaging."

However Elders has said it did not believe the merger of Metalbox Packaging with Carand was in the best interests of MB shareholders and last week it forced the adjournment

of a meeting of MB warrant holders held to consider changes to the warrants necessary as a result of the merger.

Last Tuesday MB removed the requirement for warrant holders to approve the changes to the warrants. (Elders has 25.1 per cent of the warrants which if exercised would represent 1.3 per cent of MB shares.) This gave rise to further speculation that the change would free Mr Elliott from his earlier indication that he would not launch a hostile offer for MB itself.

But he reaffirmed this yesterday, saying Elders did not intend to lead an outright bid. "All we wanted to see was a better deal... I don't think it is our objective to be antagonistic."

Mr Elliott indicated that the prime Elders' objective in the UK at present was to secure the takeover of Scottish & Newcastle Breweries, where its £1.6bn contested bid is under scrutiny by the Monopolies and Mergers Commission.

Mr Smith said the MB board would only consider an offer for Metalbox Packaging if it was "extraordinarily generous". He said Elders had not understood the merger plan with Carand which had been cleared by the European Com-



John Elliott: All we wanted to see was a better deal... I don't think it is our objective to be antagonistic.

mission and the UK tax authorities. He emphasised that MB would retain joint control of CMB Packaging, the merged company, through its 25.5 per cent stake.

"Without joint control, we

would never have proposed the merger to you [the shareholders]," he stressed. He urged them to vote in favour of the merger at the special meeting on February 24.

Turning to the situation

with S&N, Elders said that if the bid were blocked, it would look for other alternatives, which in the beer business would depend in part on a concurrent inquiry which the MMC is conducting. This examines the tie between brewers and the public houses they own. The outcome of both inquiries is expected in the next few weeks.

A report by stockbroker ANZ McCaughan Securities has suggested that, in order to stem an erosion of export earnings by the strengthening Australian dollar, Elders might attempt to make a big acquisition before its June year-end.

With the conclusion being drawn that a bid for all or part of MB was thus made more likely, MB shares were down 3p in London yesterday to 291p.

Next Tuesday Elders is due to report its results for the six months to December. These are expected to show a sharp slowing of growth from the same period of 1987, when net profits rose 83 per cent to A\$272.1m (£138.28m).

Mr Terry Povey, of ANZ McCaughan, said in London yesterday that he forecast an interim outcome of A\$315m, up 16 per cent.

### P&S Newspapers rises to £4.6m and upgrades forecast

By Raymond Snoddy

PORTSMOUTH & Sunderland Newspapers continued its trend of profit growth with the announcement yesterday of a 33 per cent increase in pre-tax profits from £3.5m to £4.6m for the 39 weeks to December 31.

Turnover increased to £52.9m compared with £46.2m and earnings per share to 22.7p, compared with 17.6p, a rise of 35 per cent.

The company is now expected to produce pre-tax profits for the full year in the £5.5m to £5.7m range.

In the past few weeks P&S shares have risen dramatically following the very public purchase of a little more than 5 per cent of the group's shares by Mr David Sullivan, publisher of the Sunday Sport. The stake was then re-sold at a profit within days to Lord Rothermere's Associated Newspapers group.

Yesterday's results and the claim by Mr Sullivan that the provincial newspaper group

was undervalued is likely to encourage P&S to look more energetically for acquisitions.

Sir Richard Storey, chairman, who controls 18 per cent of the company, said yesterday: "We are looking for acquisitions. We have been for some time."

He warned however that the company would not pay "silly multiples" for publishing purchases. Another possible area of growth is the provision of additional services for the readers of the company's regional newspapers.

The company attributed the continued growth to improved editorial content, continued development of free newspapers and the expansion of contract printing which culminated in a three year contract to print 250,000 copies a day of The Independent at Portsmouth compared with the present 150,000.

The shares closed at 340p, down 3p on the day after being 335p at one time.

### Ward Holdings up 12% to 'satisfactory' £14.44m

By Clare Pearson

WARD HOLDINGS, the Kentish homebuilding and property group with plans to build a new village near Ashford, saw its pre-tax profits rise by 12 per cent to £14.44m in the year to end-October 1988.

Mr Dennis Ward, chairman, said the outcome, scored on turnover of £39.74m (£48.43m), was satisfactory given that it was not company practice to chase volume at the expense of margins.

The year saw intense planning permission difficulties in Kent. However, Mr Ward said during the period the company had been able to acquire a sub-

stantial number of options and conditional contracts on land, and so had accrued benefits for the future. It has now extended its homebuilding activity to Essex.

The outcome of the application, announced last May, to build Bishops Forest, a new settlement near Ashford is not expected to emerge until next year. The matter is expected to reach ministerial level. Ward wants to build accommodation and social amenities for 13,500 people.

On its property investment side, Ward has recently

entered into an agreement with supermarket group Tesco to lease a new 260,000 sq ft distribution headquarters at Snodland in Kent, which is currently being constructed. The property portfolio was valued at £40.42m last October.

Property provided £779,000 (£380,000) to group profits, after

charging the full interest cost in respect of a £6m development loan. House construction, reflecting last year's price surge, gave £13m (£11.2m).

Industrial interests, comprising plant hire, plastic floor and window manufacture, and merchandising, put in 2685,000 (£270,000), partly reflecting the

set-up costs of a new conservatory manufacturing unit. There are hopes these will benefit from the commercial development opportunities arising from the improved communications network in Kent.

The final dividend is set at 2.1p, making 2.6p (2.4p) for the year. Earnings per share came out at 18.1p (15.5p).

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Turnover	£171m	up 37%
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Earnings per ordinary share	9.9p	up 36%
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Chairman, Chris Bryant, said: "The Bryant Group is in a strong position to perform well in the current housing market having:

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# 1988: A year of achievement.

1988 was another year of record achievement for the Corporate Advisory Division of County NatWest.

We were involved in 102 deals, worth over £10 billion. Many caught the public eye including Beazer's \$1.7 billion bid for Koppers, Nestlé's £2.6 billion bid for Rowntree, and Elders' £1.6 billion bid for Scottish & Newcastle Breweries.

More than half our business, some £6.5 billion worth, consisted of cross-border transactions.

Our activities during 1988 included:

## JANUARY

**MS International:** Successful defence against the unwelcome \$33 million bid from Dobson Park.

**Edinburgh American Assets Trust:** Reconstruction of investment trust.

## FEBRUARY

**The Henderson Group:** £85 million recommended offer from Hepworth Ceramic.

**Share Drug Stores:** £32 million recommended offer from Woolworth Holdings.

## MARCH

**Beazer:** \$1.7 billion cash tender offer for Koppers by BNS, an affiliate of Beazer.

**Vesper Thornycroft:** Flotation on The Stock Exchange.

## APRIL

**Nestlé:** £2.6 billion bid for Rowntree.

**Ward White:** £130 million bid for A.G. Stanley Holdings.

## MAY

**Irish Distillers:** Successful defence against the unwelcome bids from GC&C Brands and Grand Metropolitan, and IR £285 million recommended offer from Pernod Ricard.

**Japan Assets Trust:** Reconstruction of investment trust.

## JUNE

**Tomkins:** \$82 million rights issue and \$224 million acquisition of Murray Ohio.

**Saatchi & Saatchi:** £176 million rights issue of 6¾% redeemable convertible preference shares.

## JULY

**Harris Queensway:** £447 million recommended offer from Lowndes Ventures.

**TVS Entertainment:** \$336 million acquisition of MTM Entertainment and £50 million open offer of convertible preference shares.

## AUGUST

**McCarthy & Stone:** \$20 million placing of cumulative redeemable preference shares.

**NORWEB:** Appointment as advisor on privatisation of the North Western Electricity Board.

## SEPTEMBER

**Sandell Perkins:** \$164 million recommended offer to effect the merger of Sandell Perkins and Travis & Arnold.

**Clyde Petroleum:** \$124 million 3 for 4 rights issue and \$234 million acquisition of the Netherlands interests of Newmont Mining Corp.

## OCTOBER

**Elders:** £1.6 billion bid for Scottish & Newcastle Breweries.

**AMEC:** £133 million offer to effect the merger of AMEC and Matthew Hall.

## NOVEMBER

**Bergesen:** \$135 million bid for Bulk Transport.

**Britannia Arrow:** \$133 million acquisition of the outstanding 55% interest in Invesco Capital Management.

## DECEMBER

**Australian National Industries:** £138 million bid for Aurora.

**Home Office:** Appointment as advisor on certain police technical services.

## COUNTY NATWEST

↳ The NatWest Investment Bank Group

County NatWest Limited is a Member of The Securities Association.

UK COMPANY NEWS

New chairman moves in at troubled Glamor

By John Thornhill

MR STEPHEN BARKER, the former managing director of Albert Fisher who helped mastermind its expansion from grocer to international food distributor, is to become chairman and chief executive of Glamor Group, the troubled hosiery supplier.

Mr Barker started looking for business opportunities in mid-November after having left Albert Fisher. "After five years with the acquisitive Hawley Group (now ADT) and five years with Albert Fisher, I thought the time was right for me to branch out on my own," he said yesterday.

Mr Phillips said that the company had wanted to develop much more quickly and it thought that Mr Barker's substantial track record in expanding and acquiring businesses would be a great asset. Glamor intends to spend £1.5m of the proceeds of the rights issue on increasing stock and introducing new product lines including socks and footwear. It will also spend £30,000 on acquiring the freehold of Cecil House, its premises in Leeds.

The balance will be spent on expansion in the textile, leather and household sundries sectors by means of organic growth and acquisition. The company said, however, that there were no current discussions about acquisitions. Last November, Glamor announced that pre-tax profits had fallen to £26,000 (£51,000) in the six months to September 23 and that Mr Derek Guinness, founder and chairman of the company, had resigned due to ill health. The company cited unforeseen circumstances and problems with the launch of its "classics" range as the reasons for the profits fall.



Stephen Barker: "Time to branch out on my own."

Brierley has 10.1% of Wm Low

By Nikki Taft

SIR RON Brierley's IEP Securities has continued to build up its interest in William Low, the Scottish supermarket group. Yesterday, it was disclosed that the holding had risen to 10.14 per cent, or 3.97m shares.

Throgmorton USM Trust reports 13% growth in net assets

By Vanessa Houliher

THROGMORTON USM Trust, an investment trust specialising in the Unlisted Securities Market, yesterday announced a 13 per cent rise in its net asset value from 187.5p to 211.8p per share for 1988.

USM stocks outperform the main market as the recent buying in major stocks cascaded down into the second and third line stocks. The dividend is increased by 25 per cent to 2p (1.6p). Mr Fitz-Gerald said that this reflected a 38 per cent increase in the fund's overall income that stemmed from large increases in dividends. The trust emphasised, however, that its objective of capital growth remained paramount.

Sherwood takes initial step in European expansion

By Nikki Taft

SHERWOOD, the USM-quoted textiles group formerly known as Debor, yesterday unveiled an agreed bid for Dentex, an Amsterdam-listed manufacturer of lace and allied products.

low of fl 14.2 a year ago. To fund the deal, Sherwood is issuing 3.14m new shares, which have been underwritten by County NatWest Woodmac at 34.5p. Existing shareholders, however, can claw back the new shares on a one-for-four basis.

Yesterday Sherwood, which last August augmented its UK lace-making operations with the £1m purchase of Floral Textile, said that - having reached a reasonable size in the UK market - it had been looking for expansion in Europe. Its existing interests already range from lingerie and nightwear to apparel lace. Dentex came to the Amsterdam "parallel market"

(roughly equivalent to the USM) in the mid-eighties. However, three Dutch venture capital groups remained major shareholders, accounting for just under 70 per cent of the equity. According to Sherwood, these institutions were known to be looking to exit. They have given irrevocable undertakings to accept the offer.

Netherlands, one in Nottingham, one in Blomberg, West Germany, and a fifth in Calais. It also has sales offices in Hong Kong and Brussels. Its sales have grown from fl 34m in 1984 to fl 79.5m in 1988, while pre-tax profits have increased from fl 1.52m to fl 3.88m. There was, however, a hiccup in 1987 - when sales fell from fl 72.5m to fl 68.5m and pre-tax profits from fl 5.54m to fl 3.1m.

Zurich Group says it is unlikely to meet forecast

By Philip Coggan

ZURICH GROUP, the property, motor dealing and demolition company, yesterday revealed interim pre-tax profits of £2.55m for the six months to October 31. But it said it would not meet the £2m nine month profits forecast it met when it joined the USM via the reverse takeover of Ecobric last year.

The company said it had decided to retain Lindsay Baines, the motor dealer, as a trading subsidiary and this meant it would not realise the anticipated £1m profit on disposal, nor would a £1m redevelopment profit be realised in the forecast period. However, Zurich said it had achieved additional revenues from opportunities not foreseen at the time it joined the USM. Zurich's next report will be for the nine months to January 31 1989 to reflect a change



Proposed merger of Metalbox Packaging with Carnaud S.A.

The following are key points from a letter to be sent today to shareholders from MB Group Chairman, Dr. Brian Smith:

The merger of two strong European companies into CMB Packaging creates a major world force and ensures that new MB Group and its shareholders participate in its future success.

The Merger has been cleared by the European Commission.

New MB Group will, with CGIP, have joint control of CMB Packaging. Without joint control, we would never have proposed the Merger.

The cash which new MB Group will receive from the Merger will enable it to continue the growth of its two core businesses. We see exciting opportunities for the future.

Elders Investments Limited are attempting, with a contingent interest of 1.2 per cent in existing MB Group's equity through a holding of warrants, to prevent shareholders giving effect to the merger proposals. A new proposal has now been made which is not dependent upon Elders' approval.

A vague approach by Elders and unnamed partners was rejected by your Board. No firm proposals have been made after three meetings with their representatives.

Metalbox Packaging has never been, and is not, for sale. An offer would only have to be considered if it were at such a price as would be seen by the Board and shareholders as extraordinarily generous.

Unless Elders can make firm and realistic proposals now, they should reconsider their stance.

Shareholders are urged to complete and return their forms of proxy.

SHARE STAKES

The following changes in share stakes have been announced recently. Beauford Group - Stewart Ivory and Co has acquired 926,100 7 per cent cumulative redeemable preference shares (8.48 per cent) registered in the name of Scottish American Investment Company.

Table of Sponsored Securities with columns for High/Low, Company, Price, Change, Gross, Div, Yield, P/E. Includes stocks like Am. Brit. Ind. Ordinary, 29 898 Design Group (USM), etc.







LONDON STOCK EXCHANGE

Equities turn weaker in late trading

A SOMEWHAT confused trading session saw UK equities beginning to run into the widely-predicted correction in late dealings...

opened sharply down after New York had given ground overnight. But the fall of 13 FT-SE points was recouped quickly...

share prices bore witness to aggressive price changes at the market making houses rather than to institutional activity.

national, dollar-earning issues, which are regarded as defensive plays if US interest rates move higher...

The UK market has enjoyed a honeymoon this week, with little significant economic data to test it.

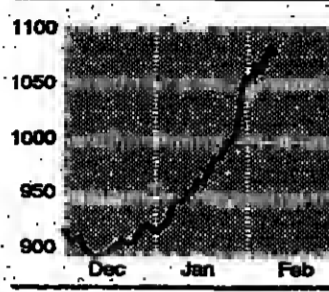
FINANCIAL TIMES STOCK INDICES

Table with columns for indices: Government Secs, Fixed Interest, Ordinary, Gold Mines, Ord. Div. Yield, Earning Yld % (full), P/E Ratio (Net/Gr), S&P O (Earnings/Div), Equity Turnover (m), Equity Bargains, Shares Traded (m), and S.E. ACTIVITY.

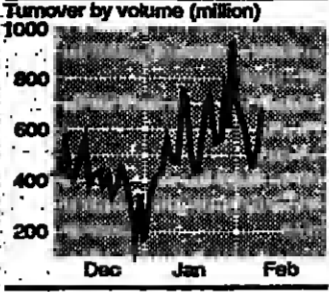
Another test for Wellcome

The pharmaceutical group Wellcome, which markets Retrovir, the anti-Aids drug, came under pressure early yesterday after Nature, the scientific journal, reported further developments involving CD4...

FT-A All-Share Index



Equity Shares Traded



major UK acquisition, possibly in the electrical or household goods sector, could be in the pipeline. A price of 225p has been touted in the market...

Turnover was modest at 1.7m shares. The leading international gave back a few pence of the substantial gains scored over the past month...

in the shares. Turnover totalled 5.2m. Talk in the market continues to suggest that a consortium bid for the group is in the process of being put together by a merchant bank...

now, but regards the stock as attractive due to its recent underperformance. Trusthouse Forte were actively sought, climbing 9 to 291p on impressive turnover of 14m.

Dixons resilient

Dixons, the subject of consistent bid speculation in recent weeks, showed remarkable resilience after both Smith New Court and Hoare Govett lowered their profit forecasts for the electrical retailing group...

Pearson falls

The effects of the latest deal with Elsevier, the Dutch publishing house, eventually brought dullness to shares of Pearson which closed 29 down at 714p yesterday.

Keen buying of the shares

Keen buying of the shares ahead of the special dividend failed to prevent Abbey Life slipping away to close a net 5 off at 320p.

William Low was a feature among mixed foods

William Low was a feature among mixed foods, climbing 5 against the trend to 274p on the news that New Zealand entrepreneur Mr Ron Brerley had increased his stake to 10 per cent.

NEW HIGHS AND LOWS FOR 1988/89

Table listing new highs and lows for various companies in 1988/89, including names like British Petroleum, Shell, and various industrial firms.

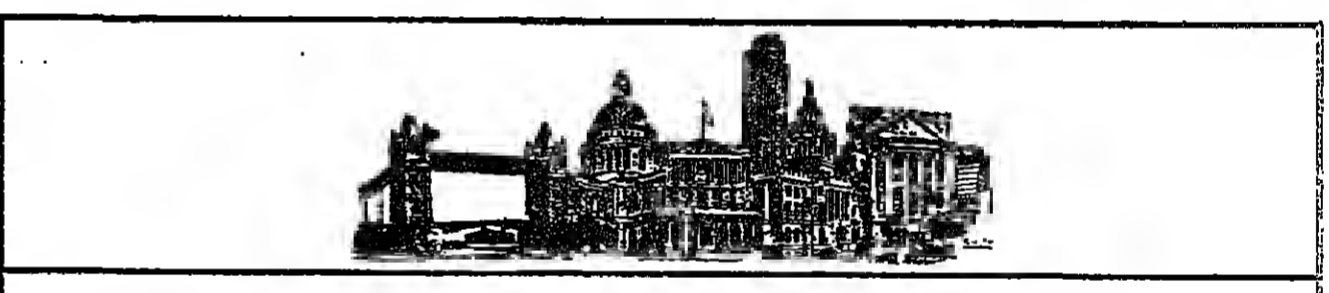
APPOINTMENTS

Hill has been appointed director and general manager of Clarke Homes division, and joins the board of Balfour Beatty Homes. Mr Jan O'Connor has been appointed finance director...

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in major stocks, including columns for stock names, volume, and price changes.

\$150m tranche of which will be used to refinance existing US debt. The remainder of the debt the group to fund expansion and embark on a buy-in programme...



The FT City Seminar

This three-day Seminar provides an overview of the traditional operations of the City of London together with an examination of its newer markets and activities. Speakers will include: Win Bischoff, Michael Fowle, John Plender, Philip Warland, Robin Hutton, Keith Woodley, Martin Hall, Richard Kilsby, John Matthews, Mark Bolat, Max Hopfl, David Malcolm.

Registration form for The FT City Seminar, including fields for Name, Position, Company, Address, Telephone, and Fax.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-625-2128

AUTHORISED UNIT TRUSTS

Main table containing unit trust information with columns for Unit Name, Unit Price, and other details. Includes sub-sections like 'Authorized Unit Trusts' and 'Guide to Unit Trust Pricing'.

GUIDE TO UNIT TRUST PRICING

DETAILS CHANGES: This section explains the pricing mechanism for unit trusts, including how unit prices are determined and how they change over time.

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FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

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Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your Unit Trust Code Booklet ring the FT Cityline help desk on 01-825-2128

Main table containing unit trust information, organized into columns for various categories like 'Pioneer Mutual Insurance Co Ltd', 'Prudential National Pension Ltd', 'Scottish Amicable', etc. Each entry includes fund names, prices, and performance metrics.

MANAGEMENT SERVICES

David M. Aarons (Personal Fin. Pln.) Ltd, The Analyst Group PLC, The Analyst Group PLC, etc.

OFFSHORE AND OVERSEAS

John Grevitt Channel Islands Ltd, John Grevitt Channel Islands Ltd, etc.

GUERNSEY AUTHORISED

John Grevitt Channel Islands Ltd, John Grevitt Channel Islands Ltd, etc.

ION AUTHORISED

John Grevitt Channel Islands Ltd, John Grevitt Channel Islands Ltd, etc.

LUXEMBOURG AUTH'D

John Grevitt Channel Islands Ltd, John Grevitt Channel Islands Ltd, etc.

BERMUDA AUTHORISED

John Grevitt Channel Islands Ltd, John Grevitt Channel Islands Ltd, etc.

OFFSHORE INSURANCES

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OTHER OFFSHORE FUNDS

John Grevitt Channel Islands Ltd, John Grevitt Channel Islands Ltd, etc.

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, Yield, and other financial metrics.

Table of London Share Service, including sections for British Funds, Foreign Bonds & Rails, and Americans, with columns for Name, Price, Yield, and other financial metrics.

Table of Money Market Trust Funds, listing various trust funds with columns for Name, Price, Yield, and other financial metrics.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-625-2128

AMERICANS - Contd

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like USX, US Steel, US West.

CANADIANS

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like Alcan, Inco, Northern Telecom.

BUILDING, TIMBER, ROADS - Contd

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like Bovis Lend Lease, Bovis Lend Lease.

ELECTRICALS

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

ENGINEERING - Contd

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

INDUSTRIALS (Miscel.) - Contd

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

INDUSTRIALS (Miscel.) - Contd

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

BANKS, HP & LEASING

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like Bank of America, Bank of America.

CHEMICALS, PLASTICS

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

FOOD, GROCERIES, ETC

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

DRAPERY AND STORES

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

BEERS, WINES & SPIRITS

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

BUILDING, TIMBER, ROADS

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

ENGINEERING

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

INDUSTRIALS (Miscel.)

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

INSURANCES

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

LEISURE

Table with columns: Stock, Price, % Chg, Div, Yield, P/E. Includes entries like British Telecom, British Telecom.

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LONDON SHARE SERVICE

Least Share Prices are available on FT Cityline. To obtain your free Share Code Book ring the FT Cityline help desk on 01-925-2128

LEISURE - Contd

Table of share prices for Leisure companies including Leisure Group, Leisure Leisure, Leisure Leisure, etc.

PROPERTY - Contd

Table of share prices for Property companies including Property Group, Property Group, Property Group, etc.

TEXTILES - Contd

Table of share prices for Textiles companies including Textiles Group, Textiles Group, Textiles Group, etc.

TRUSTS, FINANCE, LAND - Contd

Table of share prices for Trusts, Finance, and Land companies including Trusts Group, Finance Group, Land Group, etc.

OIL AND GAS - Contd

Table of share prices for Oil and Gas companies including Oil Group, Gas Group, Oil Group, etc.

MINES - Contd

Table of share prices for Mines companies including Mines Group, Mines Group, Mines Group, etc.

MOTORS, AIRCRAFT TRADES

Table of share prices for Motors and Aircraft Trades companies including Motors Group, Aircraft Group, Motors Group, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land companies including Trusts Group, Finance Group, Land Group, etc.

TOBACCO

Table of share prices for Tobacco companies including Tobacco Group, Tobacco Group, Tobacco Group, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land companies including Trusts Group, Finance Group, Land Group, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders companies including Overseas Group, Overseas Group, Overseas Group, etc.

MINES

Table of share prices for Mines companies including Mines Group, Mines Group, Mines Group, etc.

COMMERCIAL VEHICLES

Table of share prices for Commercial Vehicles companies including Commercial Group, Commercial Group, Commercial Group, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land companies including Trusts Group, Finance Group, Land Group, etc.

TRUSTS, FINANCE, LAND

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TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land companies including Trusts Group, Finance Group, Land Group, etc.

PLANTATIONS

Table of share prices for Plantations companies including Plantations Group, Plantations Group, Plantations Group, etc.

THIRD MARKET

Table of share prices for Third Market companies including Third Market Group, Third Market Group, Third Market Group, etc.

COMMERCIAL VEHICLES

Table of share prices for Commercial Vehicles companies including Commercial Group, Commercial Group, Commercial Group, etc.

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Table of share prices for Commercial Vehicles companies including Commercial Group, Commercial Group, Commercial Group, etc.

NOTES: Stock Exchange dealing classifications are indicated in the right margin. Units purchased are 25p. Estimated price/earnings ratios and other figures are based on latest annual reports and accounts and where possible, are based on half-yearly figures. P/E ratios are calculated on the basis of the latest reported earnings per share. Dividends are shown in pence or dollars, unless otherwise indicated. Dividends are shown in pence or dollars, unless otherwise indicated. Dividends are shown in pence or dollars, unless otherwise indicated.

FOREIGN EXCHANGES

Uncertainty undermines dollar

THE US dollar lost ground in currency markets yesterday as investors adjusted positions prior to the release of details on the US budget. Early trading was confined to a narrow range as traders failed to overcome upward resistance, mainly on fears of renewed central bank intervention.

with upward pressure on rates elsewhere in Europe, pushed the pound down to DM3.2625 from DM3.2650. It was also lower against the yen at Y225.50 from Y226.00. Elsewhere, it finished at SF1.7700 from SF1.7725 and FF11.1050, unchanged from Thursday.

On Bank of England figures, the pound's exchange rate index closed at 97.7, down from 97.5 at the opening but up from 97.5 at the close on Wednesday. There was no fresh data to influence the market, although traders pointed out that many investors are probably looking ahead to next week when several key economic pointers are due for release.

FINANCIAL FUTURES

A generally weak tone

A WEAKER tone to short starting and depressed US Treasury bonds pushed long gilt futures lower on Liffe yesterday. March short sterling traded in a very narrow range of only 5 basis points, opening and closing at 87.22, compared with 87.25 on Wednesday. This was close to a major support point of 87.21, which if broken could produce a fall to 87.10.

March delivery opened sharply lower at 90.23, but this was almost the day's high, with the contract sliding to close just above its low, at 90.12, against 91.18 previously. Liffe closed with the market waiting nervously for the result of the US Treasury's 30-year bond auction, after disappointment at the outcome of the 10-year auction. There was lower than expected demand for 10-year

paper, with a large number of accepted bids at the auction at the top of the yield range. This led to a sell of long bond positions. March long gilt futures opened weaker at 98.16 on Liffe, and failed to hold on to a rally to a peak of 98.23, closing near the day's low at 98.15, compared with 98.21 on Wednesday.

EUROPEAN CURRENCY UNIT RATES

Table with columns: Currency, Unit, % change from previous day, % change since 1990, Discrepancy. Rows include Belgium Franc, Danish Krone, French Franc, German DM, Italian Lira, Spanish Peseta, Dutch Guilder, UK Pound, and US Dollar.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Country, Day's Spot, Close, One month, Three months, Six months. Rows include US, Canada, Australia, NZ, Hong Kong, Singapore, Thailand, Malaysia, Philippines, Indonesia, Brunei, South Korea, Taiwan, New Zealand, and Japan.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Country, Day's Spot, Close, One month, Three months, Six months. Rows include UK, Canada, Australia, NZ, Hong Kong, Singapore, Thailand, Malaysia, Philippines, Indonesia, Brunei, South Korea, Taiwan, New Zealand, and Japan.

EURO-CURRENCY INTEREST RATES

Table with columns: Currency, Term, Rate. Rows include Sterling, US Dollar, Canadian Dollar, Australian Dollar, NZ Dollar, Hong Kong Dollar, Singapore Dollar, Thai Baht, Malaysian Ringgit, Philippine Peso, Indonesian Rupiah, Brunei Dollar, South Korean Won, Taiwan Dollar, New Zealand Dollar, and Japanese Yen.

EXCHANGE CROSS RATES

Table with columns: Currency, Rate. Rows include £/\$, £/DM, £/FF, £/Yen, £/Sfr, £/A\$.

£ IN NEW YORK

Table with columns: Feb 9, Last, Previous. Rows include 1 month, 3 months, 6 months, 12 months.

STERLING INDEX

Table with columns: Feb 9, Previous. Rows include 8.30 am, 9.00 am, 10.00 am, 11.00 am, Noon, 1.00 pm, 2.00 pm, 3.00 pm, 4.00 pm.

CURRENCY RATES

Table with columns: Currency, Bank, Bid, Ask, Spread. Rows include Sterling, US Dollar, Canadian Dollar, Australian Dollar, NZ Dollar, Hong Kong Dollar, Singapore Dollar, Thai Baht, Malaysian Ringgit, Philippine Peso, Indonesian Rupiah, Brunei Dollar, South Korean Won, Taiwan Dollar, New Zealand Dollar, and Japanese Yen.

CURRENCY MOVEMENTS

Table with columns: Currency, Bank, Bid, Ask, Spread. Rows include Sterling, US Dollar, Canadian Dollar, Australian Dollar, NZ Dollar, Hong Kong Dollar, Singapore Dollar, Thai Baht, Malaysian Ringgit, Philippine Peso, Indonesian Rupiah, Brunei Dollar, South Korean Won, Taiwan Dollar, New Zealand Dollar, and Japanese Yen.

OTHER CURRENCIES

Table with columns: Currency, Rate. Rows include Argentine, Australian, Brazil, Canada, Denmark, France, Germany, Hong Kong, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Singapore, South Africa, South Korea, Taiwan, Thailand, UK, USA, and West Germany.

MONEY MARKETS

Rates stay firm

RATES MAINTAINED a firm tone in Europe yesterday. The short end of the London money market was kept tight by a very large credit shortage. Period rates were generally steady, with three-month sterling interbank unchanged at 13.12% per cent.

FT LONDON INTERBANK FIXING

Table with columns: Currency, Rate. Rows include £/\$, £/DM, £/FF, £/Yen, £/Sfr, £/A\$.

MONEY RATES

Table with columns: Currency, Term, Rate. Rows include New York, London, and other international rates.

LONDON MONEY RATES

Table with columns: Currency, Term, Rate. Rows include Interbank Offer, Interbank Bid, Sterling CD, Local Authority Dep., Local Authority Bonds, Treasury Bills, Bank Bills, and other London market rates.

LONDON (LIFFE)

Table with columns: Contract, Price, Change, High, Low, Prev. Rows include 25-Year National Gilt, 30-Year National Gilt, 7.30 Year National Gilt, and 10-Year National Gilt.

CHICAGO

Table with columns: Contract, Price, Change, High, Low, Prev. Rows include US Treasury Bonds, US Treasury Bills, and US Treasury Notes.

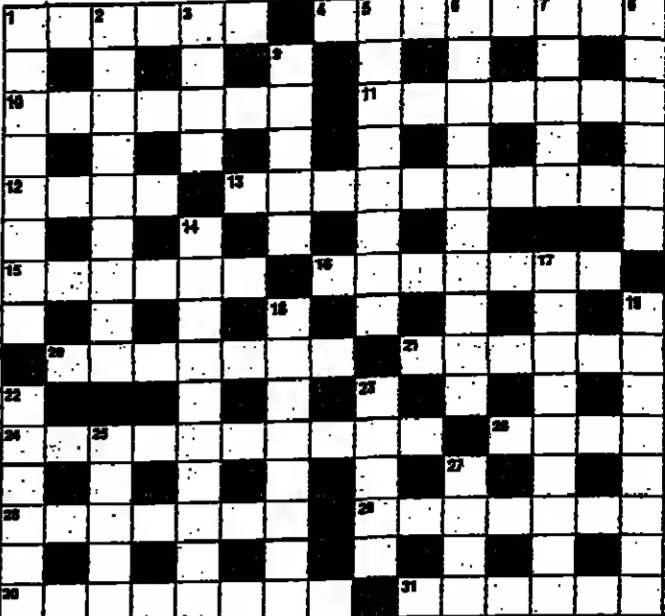
EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol, Last, High, Low, Prev. Rows include Gold, Euro, and other European options.

BASE LENDING RATES

Table with columns: Bank, Rate. Rows include various banks and their base lending rates.

CROSSWORD



ACROSS 1 Spot what people study at Campdown? (6) 4 Heads blown in the fields (3-5) 10 Of whom Wordsworth wrote so comically? (7) 11 It is tied up in a bow (7) 12 Open-handed blow from copper, very loud (4) 13 'e think safe troublesome? (5-6) 15 Last of Madras splotch dish makes one run like this (6) 16 Impractical advice to consumers? (7) 20 Stem the flow - it is tried and trusted (7) 21 Stop howling and cast off (9) 24 Making great noise below in night, possibly (10) 26 Verbal tender of dyke-builder (4) 28 Lumpy cargo between the road-tail and the firewood (3-4) 29 Spike, look inside and carry on (7) 30 So humid around square here in Devon (8)

JOTTER PAD advertisement with a grid for notes and a list of words: STAINCH, TEAGUP, PATTERN, STORIES, REVELATION, AKIN, FOSTER, ADVANCED, DETAILER, NIGHT, USED, CREDITABLE, UR, OGD, ABNORMAL, GONNET, RESID, YEAHRE.

PRICEWATERHOUSE and the FINANCIAL TIMES CONFERENCE ORGANISATION present: CAPITAL MARKETS WORKSHOP. 15-17 FEBRUARY, 3-5 APRIL, 8-10 MAY, 26-28 JUNE 1989. The risks involved in trading often complex instruments in the capital markets need to be identified, measured and managed. In these workshops a team of Price Waterhouse and banking industry experts examines the risks and explains how they can be managed successfully. Speakers will be drawn from Price Waterhouse's Capital Markets Group and a panel including: Jonathan Britton, Finance Director, Swiss Bank Corporation International Limited; Anthony Wilson, Senior Associate Director, Dalmeida; Graham Skelton, General Manager, Treasury Services, First International Ltd; Keith Lane, Assistant Director, Treasury and Trading Group, Hargreaves & Co Ltd; Bob Fisher, Director, Capital Markets, Citicorp Bank Limited; Arif Salameh, Vice President, Global Risk Management, Swiss Bank International Ltd; Richard Kilbey, Managing Director, Capital Markets, Charterhouse Bank Limited.

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WORLD STOCK MARKETS

WORLD STOCK MARKETS

Table of stock market data for various countries including Australia, Belgium/Luxembourg, Denmark, Finland, France, Germany, Italy, Japan, Korea, Norway, Spain, Sweden, Switzerland, and Taiwan. Columns include stock names, prices, and changes.

CANADA

Table of stock market data for Canada, including Toronto 2pm prices for February 9. Lists various stocks and their prices.

INDICES

Table of stock market indices for New York, Dow Jones, and various international indices. Includes columns for index names and values.

Table of stock market data for various countries including Australia, Belgium/Luxembourg, Denmark, Finland, France, Germany, Italy, Japan, Korea, Norway, Spain, Sweden, Switzerland, and Taiwan. Columns include stock names, prices, and changes.

Table of stock market data for Canada, including Toronto 2pm prices for February 9. Lists various stocks and their prices.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Travelling by air on business?
Enjoy reading your complimentary copy of the Financial Times when you are travelling on selected flights from Madrid and Barcelona with Iberia.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3pm prices February 9

Main table of stock prices with columns for 12 Month High, Low, Stock, Div, Yld, P/E, 1000 High, Low, Close, Prev. Includes various stock symbols and their corresponding prices.

Continued on Page 43

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NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, Last, and Change. Includes a 'Continued from previous page' note.

OVER-THE-COUNTER

Nasdaq national m.c.rst. 3pm prices February 9

Table of Over-the-Counter prices listing various stocks with columns for High, Low, Last, and Change.

AMEX COMPOSITE PRICES

3pm prices February 9

Table of AMEX Composite Prices listing various stocks with columns for High, Low, Last, and Change.

Travelling on Business? Enjoy reading your complimentary copy of the Financial Times when you're staying... in Madrid at the Holiday Inn. Hotel Miguel Angel, Hotel Palace, Hotel Princesa Plaza, Hotel Ritz, Hotel Villa Magna, Hotel Melia Casilla, Hotel Los Galgos Sol... in Barcelona at the Hotel Calderon, Hotel Diplomatic, Hotel Majestic, Gran Hotel Sarria.

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